



Edward Margulis
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Statutory Disqualification
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February 11, 2021

Via Electronic Mail

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: In the Matter of the Continued Association of Craig Burdulis (CRD No. 1054954) with Boenning & Scattergood, Inc. (CRD No. 100)

Dear Ms. Countryman:

Effective February 11, 2021, the Financial Industry Regulatory Authority (“FINRA”) hereby provides notification, by letter, to the United States Securities and Exchange Commission (“SEC” or the “Commission”) of the continued association of Craig Burdulis (“Burdulis”) with Boenning & Scattergood, Inc. (“Boenning & Scattergood” or “Firm”) as a General Securities Representative pursuant to Securities Exchange Act of 1934 (“SEA” or “Exchange Act”) Rule 19h-1(a)(4) (“Rule 19h-1”). The Firm filed a Membership Continuance Application (“MC-400” or the “Application”) with FINRA’s Department of Credentialing, Registration, Education and Disclosure (“CRED”) seeking to permit Burdulis’ continued association with the Firm on April 22, 2020.¹

I. The Statutory Disqualifying Event

Burdulis is subject to a statutory disqualification, as that term is defined by Exchange Act Section 3(a)(39)(F), which incorporates by reference SEA Section 15(b)(4)(D) and (E), as a result of a April 16, 2020 SEC Order (“2020 Order”) finding that Burdulis willfully violated Municipal Securities Rulemaking Board (“MSRB”) Rule G-17, failed to reasonably supervise another individual within the meaning of SEA Section 15(b)(4)(E), with a view to preventing and detecting another person’s violations of MSRB Rule G-17, and willfully violated MSRB G-27.²

¹ See the MC-400 Application and related documents filed by Boenning & Scattergood on behalf of Craig Burdulis, dated April 22, 2020 (attached as Exhibit 1).

² See SEC Order, *In the Matter of Boenning & Scattergood, Inc., Craig Burdulis and Brian Gillespie*, SEC Administrative Proc. File No. 3-19749, Exchange Act Release No. 88662 (April 16, 2020) (attached as Exhibit 2). The Firm and Brian Gillespie (“Gillespie”) (CRD No. 2913326) are also subject to statutory disqualification due to the 2020 Order based on willful violations. The Firm provided affirmation to FINRA staff on April 27, 2020 that both

Specifically, between January 2014 and October 2016, Burdulis circumvented the priority provisions in certain new issue bond offerings by using unregistered brokers known as “flippers” to place orders that appeared to be on behalf of retail investors, which typically have the highest priority, but in fact were orders for Boenning & Scattergood’s account.³ Burdulis and Gillespie, who reported to Burdulis, placed orders for the Firm’s account with the unregistered brokers under circumstances where they knew, or should have known, that the unregistered brokers would obtain the bonds in a manner to circumvent the priority of orders, which gave Boenning & Scattergood’s orders a higher priority in the bond allocation process.⁴

As a result of these findings, Burdulis was censured and ordered to cease and desist from committing or causing any further violations of Exchange Act Section 15(a)(1) and to pay a \$30,000 civil penalty.⁵ The 2020 Order also placed a limitation on Burdulis from acting in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for a period of 12 months.⁶

II. **Background Information**

A. Burdulis

1. Proposed Duties and Responsibilities

Boenning & Scattergood proposes that Burdulis will continue to work from its home office location at 4 Tower Bridge, 200 Barr Harbor Sr., Suite 300, West Conshohocken, Pennsylvania 19428.⁷ The Firm states that Burdulis will continue his current role as a registered representative

had complied with all the sanctions in the 2020 Order. Membership Continuance Applications were not required under FINRA Rules as there are no continuing sanctions. Both are also classified as a Tier 3 statutorily disqualified persons, permitted to associate without any special supervision. There are no special examination requirements associated with this classification of disqualified persons. *See also* FINRA Regulatory Notice 09-19, *Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualification* (June 15, 2009), available at <https://www.finra.org/sites/default/files/NoticeDocument/p118466.pdf>.

³ The MSRB defines “flipping” as the immediate resale of allotted bonds in a primary offering, which may involve a prearranged trade, where the initial purchaser does not intend to hold the bonds for investment purposes but instead expects to make a profit from an immediate resale. *See* Exhibit 2 at pp. 4-5.

⁴ *Id.* at p. 2.

⁵ *Id.* at pp. 10-11. Burdulis paid the penalty on April 17, 2020; *See* Commission staff’s email to Member Regulation staff, dated January 18, 2021 (attached as Exhibit 3).

⁶ *See* Exhibit 2 at p. 10.

⁷ *See* Exhibit 1 at p. 3, in response to item 6.

Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

with primary responsibilities of providing pricing scales in support of underwriters' activities, executing trades of municipal bonds, assisting with the sales and trading of new issues underwritten by the Firm, and facilitating agency trades for clients.⁸ Burdulis will no longer have any supervisory duties at the Firm.⁹

The Firm represents that Burdulis will be compensated a salary plus commission and a bonus.¹⁰

2. Registration and Employment History

Burdulis first registered in the securities industry as a Municipal Securities Representative (Series 52) in December 1982. He passed the Uniform Securities Agent State Law Examination (Series 63) in August 1983, the General Securities Representative Examination (Series 7) in June 1998, and the General Securities Principal Exam (Series 24) in April 1999. Lastly, he was approved as a Municipal Securities Principal (Series 53) in August 1999.¹¹

Burdulis has been associated with the following firms during the following periods:¹²

<u>Firm</u>	<u>Period of Employment</u>
Boenning & Scattergood	January 2006 – Present
RBC Dain Rauscher, Inc.	February 2005 – December 2005
Commerce Capital Markets, Inc.	October 1982 – February 2005

3. Disciplinary and Regulatory History

Other than the underlying disqualifying event, Member Regulation is not aware of any disciplinary or regulatory proceedings or arbitrations against Burdulis.

4. Prior SEA Rule 19h-1 Notices and Notifications

There have been no prior Rule 19h-1 or 19d-1 Notices or Notifications filed on Burdulis' behalf.

⁸ See Exhibit 1 at p. 3, in response to item 4.

⁹ *Id.* at p. 3, in response to item 2.

¹⁰ *Id.* at p. 3, in response to item 5.

¹¹ See Central Registration Depository ("CRD") Snapshot for Craig Burdulis, at pp. 4, 7 (attached as Exhibit 4). Burdulis also received credit for the Securities Industry Essentials Examination on October 1, 2018.

¹² *Id.* at p. 6.

Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

B. The Firm

Boenning & Scattergood is headquartered in West Conshohocken, Pennsylvania.¹³ The Firm has been a FINRA member since November 1939.¹⁴ In addition to FINRA, the Firm is a member of the Nasdaq Market, and the Municipal Securities Rulemaking Board (“MSRB”).¹⁵

The Firm has eight Offices of Supervisory Jurisdiction and two branch offices.¹⁶ The Firm employs 123 registered representatives, 47 registered principals, and 22 non-registered associated persons as employees.¹⁷ The Firm employs one other statutorily disqualified individual in addition to Burdulis.¹⁸

III. Proposed Supervision

A. Primary Supervisor – Glenn Essert (CRD No. 1447868)

Burdulis will be supervised by Glenn Essert (“Essert”), a Compliance Associate and Regulatory Risk Supervisor.¹⁹ Essert works from the Firm’s office location at 4 Tower Bridge, 200 Barr Harbor Drive, Suite 300, West Conshohocken, Pennsylvania, 19428,²⁰ which is the same office in which Burdulis is located. Essert currently supervises six fixed income traders.²¹

1. Registration and Employment History

In February 1986, Essert entered the securities industry as a General Securities Representative (Series 7).²² He qualified as a General Securities Principal (Series 24) in December 1986 and

¹³ See CRD Snapshot for Boenning & Scattergood, Inc. (attached as Exhibit 5) at p. 3.

¹⁴ *Id.* See also Exhibit 1 at p. 5, in response to item 1.

¹⁵ See Exhibit 5 at pp. 4, 5.

¹⁶ FINRA confirmed this through an analysis of the Firm’s information contained in CRD, last performed on January 19, 2021.

¹⁷ *Id.*

¹⁸ *Id.* See Footnote 2 regarding Brian Gillespie (CRD No. 2913326).

¹⁹ See Exhibit 1 at p. 4.

²⁰ See CRD Snapshot for Glenn Essert (attached as Exhibit 6) at p. 3.

²¹ See Exhibit 1 at p. 5.

²² See Exhibit 6 at p. 4.

Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

passed the Uniform Securities Agent State Law Examination (Series 63) in August 1987.²³ Furthermore, he qualified as a Municipal Securities Principal (Series 53) in January 2020, passed the Compliance Officer Examination (Series 14) in May 2020, passed the Municipal Advisor Representative Examination (Series 50) in September 2020, and passed the Municipal Securities Financial and Operations Principal Examination (Series 54) in October 2020.²⁴

Essert has been associated with the following firms during the following periods:²⁵

<u>Firm</u>	<u>Period of Employment</u>
Boenning & Scattergood	October 2019 – Present
Barclays Capital, Inc.	November 2016 – November 2017
UBS Financial Services, Inc.	December 2008 – November 2016
Barclays Capital, Inc.	May 2005 – December 2008
Salomon Smith Barney, Inc.	March 1994 – May 2005
HYM Financial, Inc.	March 1990 – March 1994
Focus II Securities, Inc.	August 1989 – March 1990
BNL Securities, Inc.	August 1986 – August 1989

2. Disciplinary and Regulatory History

Member Regulation is not aware of any disciplinary or regulatory proceedings, or reportable arbitrations against Essert.²⁶

3. Terminations

In December 2008, Essert was discharged from Barclays Capital, Inc. due to reorganization and restructuring.²⁷ In November 2017, Essert was discharged from Barclays Capital, Inc. due to not meeting performance expectations.²⁸

²³ See Exhibit 6 at p. 4.

²⁴ *Id.* Essert also received credit for the Securities Industry Essentials Examination on October 1, 2018.

²⁵ *Id.* at pp. 12, 13.

²⁶ *Id.* at p. 19. According to CRD Legacy Disclosure, in 1995 a customer filed an arbitration against Essert alleging failure to supervise, aiding and abetting in misrepresentation, omission of facts and breach of fiduciary duties; however, a motion of dismissal was granted with no penalties. The matter is designated as not reportable.

²⁷ *Id.* at p. 8.

²⁸ *Id.* at p. 4.

B. Alternate Supervisor – Edward Murray (CRD No. 2215605)

In the event that Essert is out of the office, the Firm proposed that Edward Murray (“Murray”), Managing Director, will act as Burdulis’ supervisor.²⁹ Murray works in the same office as Burdulis, located at 4 Tower Bridge, 200 Barr Harbor Drive, Suite 300, West Conshohocken, Pennsylvania, 19428.³⁰

1. Registration and Employment History

In March 1992, Murray entered the securities industry as a Municipal Securities Representative (Series 52) and passed the Uniform Securities Agent State Law Examination (Series 63).³¹ He qualified as a General Securities Representative (Series 7) in January 1997, passed the Municipal Securities Principal Examination in April 2009, and passed the Municipal Advisor Representative Examination in September 2017.³²

Murray has been associated with the following firms during the following periods:³³

<u>Firm</u>	<u>Period of Employment</u>
Boenning & Scattergood	November 2004 – Present
Dolphin & Bradbury, Inc.	January 1992 – November 2004

2. Disciplinary and Regulatory History

Member Regulation is not aware of any disciplinary or regulatory proceedings, or arbitrations against Murray. Furthermore, Murray’s CRD record shows no regulatory actions or arbitrations filed against him.³⁴

²⁹ See email from Firm’s Chief Compliance Officer W. Ragnar Gearhart to FINRA Staff dated December 15, 2020 (attached as Exhibit 7).

³⁰ See CRD Snapshot for Edward Murray (attached as Exhibit 8) at p. 3.

³¹ *Id.* at p. 7.

³² *Id.* Murray also received credit for the Securities Industry Essentials Examination on October 1, 2018.

³³ *Id.* at p. 5.

³⁴ *Id.* at p. 10.

III. Discussion

After carefully reviewing the entire record in this matter, FINRA has determined to allow the continued association of Burdulis with Boenning & Scattergood as a General Securities Representative pursuant to an exception from the notice requirements provided in paragraph (a)(3)(iv) of SEA Rule 19h-1.

SEA Rule 19h-1(a)(3)(iv) reads, in part:

A notice need not be filed with the Commission pursuant to this rule if

...

- A. The disqualification previously – (A) was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and (B) was considered by the Commission in determining a sanction against such person in the proceeding; and the Commission concluded in such proceeding that it would not restrict or limit the future securities activities of such person in the capacity now proposed or, if it imposed any such restrictions or limitations for a specified time period, such time period has elapsed[.]

FINRA has determined that the Firm's Application meets all applicable conditions of this rule. Burdulis' disqualification was previously the basis for the institution of an administrative proceeding pursuant to federal securities laws. He was not restricted from associating in the capacity now being proposed by Boenning & Scattergood, a General Securities Representative. The 2020 Order solely prohibited Burdulis from acting in a supervisory capacity for a period of 12 months. Boenning & Scattergood represents that Burdulis will not be working in the prohibited capacity (i.e., he will not work in a supervisory capacity).³⁵ FINRA also notes that the Firm represents that Burdulis is currently subject to an internal heightened supervision plan, which includes enhanced reviews of his activities.³⁶

FINRA knows of no other conduct or other circumstances that would cause Burdulis' association with the Firm to be inconsistent with the public interest or the protection of investors. FINRA

³⁵ See Exhibit 1 at p. 3 and Exhibit 2 at p. 10.

³⁶ See Exhibit 1 at p. 3 and pp. FINRA00248 – 250.

Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

therefore believes that this form of notification, by letter, pursuant to SEA Rule 19h-1(a)(4), to the Commission is appropriate.

Boenning & Scattergood is a member of Nasdaq Stock Market. FINRA has sought and obtained a concurrence from this organization, as required by SEA Rule 19h-1(a)(4)(vi).

Sincerely,

/s/ Edward Margulis

Edward Margulis
Senior Attorney, Statutory Disqualification
FINRA

Attachments

cc: W. Ragnar Gearhart, CCO (Via E-mail with attachments)
Boenning & Scattergood, Inc.

Devin Ryan (Via E-mail with attachments)
Office of Chief Counsel
Division of Trading and Markets
U.S. Securities and Exchange Commission

Edward Schellhorn (Via E-mail with attachments)
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Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

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Ms. Vanessa Countryman
U.S. Securities and Exchange Commission
February 11, 2021

Exhibits

1. MC-400 Application and related documents filed by Boenning & Scattergood on behalf of Craig Burdulis, dated April 22, 2020.
2. SEC Order, *In the Matter of Boenning & Scattergood, Inc., Craig Burdulis and Brian Gillespie*, SEC Administrative Proc. File No. 3-19749, Exchange Act Release No. 88662 (April 16, 2020).
3. Commission staff's email to Member Regulation staff, dated January 18, 2021.
4. Central Registration Depository ("CRD") Snapshot for Craig Burdulis.
5. CRD Snapshot for Boenning & Scattergood, Inc.
6. CRD Snapshot for Glenn Essert.
7. Boenning & Scattergood Chief Compliance Officer W. Ragnar Gearhart's email to FINRA Staff dated December 15, 2020.
8. CRD Snapshot for Edward Murray.