

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

TIMOTHY MORAN
(CRD No. 2326078),

Respondent.

Disciplinary Proceeding
No. 2012031023301

Hearing Officer—MAD

DEFAULT DECISION

February 5, 2014

Respondent is barred from associating with any member firm in any capacity for: (1) engaging in private securities transactions without providing his employer with prior written notice, in violation of NASD Conduct Rule 3040 and FINRA Conduct Rule 2010; (2) failing to respond to FINRA requests for information, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010; and (3) providing false information to FINRA in response to Rule 8210 requests, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010. Respondent is ordered to disgorge \$200,000, his ill-gotten gains in connection with the violation of NASD Conduct Rule 3040 and FINRA Conduct Rule 2010. Respondent also failed to disclose a tax lien on a Form U4, in violation of FINRA Rules 1122 and 2010, NASD IM-1000-1, and Article V, Section 2(c) of the FINRA By-Laws; however, in light of the bars, no additional sanctions are imposed for this violation.

Appearances

Jonathan Golomb, Esq. for the Department of Enforcement.

No appearance by or on behalf of Timothy Moran.

DECISION

I. Introduction

On September 27, 2013, the Department of Enforcement filed the attached Complaint in this disciplinary proceeding against Respondent Timothy Moran. The Complaint charges that Moran: (1) engaged in private securities transactions without providing his employer, FINRA member firm FSC Securities Corp. ("FSC"), with prior written notice, in violation of NASD

Conduct Rule 3040 and FINRA Conduct Rule 2010; (2) failed to respond to FINRA requests for information, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010; (3) provided false information to FINRA in response to a Rule 8210 request, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010; and (4) failed to disclose a tax lien on a Uniform Application for Securities Industry Registration or Transfer (Form U4), in violation of FINRA Rules 1122 and 2010, NASD IM-1000-1, and Article V, Section 2(c) of the FINRA By-Laws.¹

Moran did not answer or otherwise respond to the Complaint. Consequently, on December 11, 2013, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”), supported by the Declaration of Jonathan Golomb, Esq. (“Decl.”) and seven exhibits. Moran did not file a response to the Default Motion.

For the reasons discussed below, the Hearing Officer finds Moran in default, grants Enforcement’s Default Motion, and permanently bars Moran from associating with any FINRA member firm in any capacity.

II. Findings of Fact and Conclusions of Law

A. Jurisdiction

Moran was first employed in the securities industry in February 1993.² Between 1994 and 2011, Moran was employed with several FINRA member firms. From May 2010 until December 2011, Moran was registered with FINRA as a General Securities Representative, a General Securities Principal, and an Investment Company and Variable Contracts Limited

¹ As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). References in this decision to FINRA include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidate rules became effective on December 15, 2008, including certain conduct rules and procedural rules. *See* Regulatory Notice 08-57 (Oct. 2008). This decision refers to and relies on the NASD Conduct Rules that were in effect at the time of Respondent Moran’s alleged misconduct. The applicable rules are available at www.finra.org/rules.

² CX-1, at 12.

Representative, through his association with FSC.³ On December 9, 2011, FSC filed a Uniform Termination Notice for Securities Industry Registration (Form U5), terminating Moran's registration.⁴ Moran has not been registered or associated with any FINRA member since December 11, 2011.⁵

Although Moran has not been registered with a member firm since December 2011, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years following the termination of his last registration with a FINRA member, and (2) the Complaint charges him with misconduct that occurred while he was registered with a FINRA member firm and with failing to respond to FINRA requests for information during the two-year period following his termination of FINRA registration.⁶

B. Respondent's Default

On September 27, 2013, Enforcement served Moran with the Notice of Complaint and Complaint by certified mail, return receipt requested, and first-class mail addressed to his residential address recorded in the Central Registration Depository (the "CRD Address").⁷ The

³ *Id.* at 3-4.

⁴ *Id.* at 12.

⁵ *Id.* at 3.

⁶ Article V, Sec. 4(a), FINRA By-Laws, *available at* www.finra.org/rules (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

⁷ Decl. ¶ 6. Enforcement served a Corrected Notice of Complaint and Complaint on Moran at his CRD Address on October 1, 2013, by certified mail, return receipt requested, and by first-class mail. Decl. ¶ 8. The Corrected Notice corrected an error regarding the date the Answer was due. *Id.* n.9. The U.S. Postal Service left a notice of the certified mailing of the Corrected Notice of Complaint for Moran at his CRD Address. Neither the certified mailing nor the first-class mailing was returned to Enforcement. Decl. ¶ 9. At no time during the investigation or litigation of this matter did Enforcement learn that the CRD Address set forth above was out of date, so as to necessitate service of duplicate copies. In fact, a Form U5 filed on November 13, 2013, reflects that the CRD Address remained in effect even after the service of the notices described above. Decl. ¶ 12; CX-2, at 1.

U.S. Postal Service (“USPS”) returned the certified mailing marked “unclaimed,” “unable to forward.”⁸ The first-class mailing was not returned.⁹

On October 30, 2013, Enforcement served the Second Notice of Complaint and Complaint on Moran in the same manner.¹⁰ The USPS left a notice of the certified mailing for Moran.¹¹ Neither the certified mailing nor the first-class mailing has been returned to Enforcement.¹² To date, Moran has not filed an answer with the Office of Hearing Officers or otherwise responded to the Complaint.

The Hearing Officer finds Moran in default. Moran received valid constructive notice of this proceeding in accordance with the provisions of FINRA Rule 9134(a)(2) and (b)(1), but he did not file an answer or make any other filing or request related to the Complaint. Accordingly, pursuant to Procedural Rules 9215(f) and 9269(a)(2), the Hearing Officer deems the allegations in the attached Complaint admitted.

C. Origin of the Underlying Investigation

This matter arose from FINRA’s review of an amended Form U5 filing, dated December 23, 2011, in which FSC disclosed that it had terminated Moran’s employment while he was under internal review for fraud or wrongful taking of property, or violating investment-related statutes, regulations, rules or industry standards of conduct. FSC also reported that Moran had referred clients to an unapproved investment fund without approval of the firm.¹³

⁸ Decl. ¶ 7; CX-3.

⁹ Decl. ¶ 7.

¹⁰ Decl. ¶ 10.

¹¹ Decl. ¶ 11; CX-5.

¹² Decl. ¶ 11.

¹³ Decl. ¶ 13.

D. Private Securities Transactions (Selling Away)

The First Cause of Action alleges that Moran engaged in private securities transactions without providing FSC with written notice of his activities, in violation of NASD Conduct Rule 3040 and FINRA Conduct Rule 2010.

During 2010, Moran subleased office space within his FSC office to Thomas Hampton, an individual who used the space to operate a private hedge fund, Hampton Capital Management (HCM).¹⁴ In addition to subleasing space to Hampton, Moran loaned Hampton money to help start HCM.¹⁵ HCM purportedly bought and sold exchange traded funds based on a proprietary trading strategy implemented by a custom-designed computer program.¹⁶

HCM began accepting investors in approximately October 2010.¹⁷ Moran invested \$50,000 in HCM in October 2010, and \$100,000 during 2011.¹⁸ Between October 2010 and June 2011, Moran introduced many of his FSC customers to Hampton so that those customers could discuss a possible investment in HCM with Hampton.¹⁹ In at least ten instances, Moran recommended that the customers invest or consider investing in HCM, or participated in meetings, telephone conversations or other communications between his customers and Hampton.²⁰ Ultimately, approximately 26 FSC customers, who were introduced by Moran to Hampton, invested approximately \$1.69 million in HCM.²¹

¹⁴ Compl. ¶ 10.

¹⁵ *Id.* ¶ 14.

¹⁶ *Id.* ¶ 10.

¹⁷ *Id.* ¶ 15.

¹⁸ *Id.*

¹⁹ *Id.* ¶ 17.

²⁰ *Id.*

²¹ *Id.* ¶ 18.

Moran received more than \$200,000 as compensation from HCM for his assistance in obtaining investments in HCM by his customers.²² These payments were made either directly to Moran or through Hypat, LLC, an entity in which he held an interest.²³

On November 10, 2011, the Arizona Corporation Commission issued a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing against Hampton, HCM, and another individual, alleging that Hampton and HCM engaged in the sale of unregistered securities (including those sold by Moran), and failed to register as dealers or salesmen.²⁴ The Arizona Corporation Commission subsequently amended the action to allege that Hampton and HCM engaged in fraud by falsely telling investors that their investments had been profitable, when they were actually losing money.²⁵ On April 19, 2013, Hampton pled guilty to fraud charges brought by the U.S. Attorney for the Southern District of New York in connection with the HCM investment scheme, admitting that he concealed millions of dollars in losses he incurred.²⁶

NASD Rule 3040 provides, in pertinent part, “[p]rior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the person’s proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction” Moran never notified FSC of his involvement or participation in selling interests in HCM, or sought permission from FSC to participate in the private securities transactions.²⁷

²² *Id.* ¶ 19.

²³ *Id.*

²⁴ *Id.* ¶ 11.

²⁵ *Id.* ¶ 12.

²⁶ *Id.* ¶ 13.

²⁷ *Id.* ¶¶ 16, 20.

The Hearing Officer finds that the allegations in the First Cause of Action are sufficient to establish that Moran violated NASD Conduct Rule 3040 and FINRA Conduct Rule 2010, by failing to provide FSC with written notice of his private securities transactions.

E. Failure to Respond to Requests for Information

The Second Cause of Action alleges that Moran failed to respond to FINRA requests for information and documents. On January 25, 2012, FINRA's Office of Fraud Detection and Market Integrity sent Respondent a letter requesting documents and information regarding his involvement with HCM pursuant to FINRA Rule 8210.²⁸ Moran did not respond to the January 25, 2012 request for information.²⁹

On February 9, 2012, the Office of Fraud Detection and Market Integrity sent Moran a second request pursuant to FINRA Rule 8210.³⁰ Moran did not respond to the February 9 letter by the stated deadline.³¹

In November 2012, FINRA Enforcement staff notified Moran that it had made a preliminary determination to initiate an action against him for failing to respond to the requests for information.³² Moran then contacted the staff and stated that he intended to cooperate with the investigation.³³ Accordingly, on January 28, 2013, Enforcement sent Moran a new written request for information, and Moran provided a written response on February 8, 2013.³⁴

²⁸ Compl. ¶ 23. The return receipt for the letter indicates that the certified mailing was delivered on January 28, 2012, to "P. Moran." *Id.*

²⁹ *Id.* ¶ 24.

³⁰ *Id.* ¶ 25.

³¹ *Id.* ¶ 26.

³² *Id.* ¶ 27.

³³ *Id.* ¶ 28.

³⁴ *Id.* ¶ 29; CX-7.

On May 22, 2013, pursuant to FINRA Rule 8210, Enforcement sent Moran another request for information to his CRD Address.³⁵ Moran did not respond to the May 22 request for information.³⁶ On June 12, 2013, Enforcement sent a second notice of the request for information to Moran's CRD Address pursuant to FINRA Rule 8210.³⁷ Moran did not respond to the June 12 request.³⁸

By failing to respond to the January 25, 2012, February 9, 2012, May 22, 2013, and June 12, 2013, requests for information, Moran violated FINRA Rule 8210.³⁹ In addition, he also failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

F. False Information in Response to Rule 8210 Requests

The Third Cause of Action alleges that Moran provided false information to FINRA when he responded to a Rule 8210 request letter. Specifically, on February 8, 2013, when Moran responded to FINRA's January 28, 2012 Rule 8210 request letter, he stated that he had not received any compensation for referring clients to HCM.⁴⁰ Moran also stated that he had received more than \$200,000 from HCM as payment for allowing Hampton to use his computers.⁴¹ These

³⁵ Compl. ¶ 30; CX-6, at 4-6.

³⁶ Compl. ¶ 31.

³⁷ *Id.* ¶ 32; CX-6, at 7. The certified mailing was signed for by "Trish Moran" on June 15, 2013. Compl. ¶ 32.

³⁸ *Id.* ¶ 33.

³⁹ The May 22 and June 12, 2013 Rule 8210 requests differed from the information requested in the 2012 Rule 8210 requests, and also differed from the information requested in the January 28, 2013 Rule 8210 request to which Moran did respond. Decl. ¶ 17 n.14.

⁴⁰ Compl. ¶ 36.

⁴¹ *Id.*

statements were false.⁴² The payments were compensation from HCM for Moran's efforts in introducing his customers to Hampton so that they would invest in HCM.⁴³

By providing false information in response to a Rule 8210 request, Respondent violated FINRA Rule 8210. In addition, Moran's false statements are inconsistent with the "high standards of commercial honor" and "just and equitable principles of trade" that FINRA Conduct Rule 2010 requires registered representatives to observe. The Hearing Officer finds that the allegations in the Third Cause of Action are sufficient to establish that Moran violated FINRA Rules 8210 and 2010.

G. Failure to Timely Disclose Tax Lien on Form U4

Article V, Section 2 of FINRA's By-Laws requires that associated persons applying for registration provide FINRA with "such . . . reasonable information with respect to the applicant as [FINRA] may require" and, further, that "[e]very application for registration . . . shall be kept current at all times by supplementary amendments . . . filed . . . not later than 30 days after learning of the facts or circumstances giving rise to the amendment." FINRA Rule 1122, in turn, prohibits associated persons from filing registration information that "is incomplete or inaccurate so as to be misleading" These provisions give rise to a duty to provide accurate and current information so as to "assure[] regulatory organizations, employers, and members of the public that they have all material, current information about the securities professional with whom they are dealing."⁴⁴

⁴² *Id.* ¶ 37.

⁴³ *Id.*

⁴⁴ *Richard A. Neaton*, Exchange Act Rel. No. 65598, 2011 SEC LEXIS 3719, at *17-18 (Oct. 20, 2011).

On April 7, 2009, the Internal Revenue Service (“IRS”) filed a lien in the amount of \$216,654 against Moran for unpaid tax liabilities.⁴⁵ The Form U4 requires the disclosure of any unsatisfied judgments or liens against registered persons.⁴⁶ In contravention of his obligation to keep his Form U4 current, Moran failed to amend the form to disclose the tax lien until January 11, 2010, approximately eight months late.⁴⁷

By failing to timely amend his Form U4, Moran violated NASD IM-1000-1, Article V, Section 2(c) of FINRA’s By-Laws, and FINRA Rules 1122 and 2010.⁴⁸

III. Sanctions

A. Private Securities Transactions (Selling Away)

The FINRA Sanction Guidelines (“Sanction Guidelines”) relating to private securities transactions violations recommend a fine ranging from \$5,000 to \$50,000, and a suspension of up to a year, and, in cases involving sales of over \$1,000,000, a 12-month suspension or bar.⁴⁹ The Guidelines also state that “[t]he presence of one or more mitigating or aggravating factors may either raise or lower the above-described sanctions.”⁵⁰ Thus, the Guidelines direct the Hearing Officer to consider 13 additional principal considerations and the general considerations applicable to all violations in determining the appropriate sanction. These factors include: (1) the dollar volume of sales; (2) the number of customers; (3) the length of time over which the selling

⁴⁵ Compl. ¶ 40.

⁴⁶ *Id.* ¶ 41.

⁴⁷ *Id.* ¶ 42.

⁴⁸ *Dep’t of Enforcement v. Tucker*, No. 2007009981201, 2011 FINRA Discip. LEXIS 66, at *12-13 (Oct. 4, 2011) (stating that failure to timely amend Form U4 violated predecessor to Rule 1122) (citing *Scott Mathis*, Exchange Act Rel. No. 61120, 2009 SEC LEXIS 4376, at *18 (Dec. 7, 2009), *aff’d*, *Mathis v. SEC*, 671 F.3d 210 (2d Cir. 2012); *Dep’t of Enforcement v. Fishman*, No. 2007008812801, 2008 FINRA Discip. LEXIS 53, at *10 (OHO Sept. 18, 2008) (stating that Article V, Section 2(c) of the FINRA By-Laws and the predecessors to FINRA Rules 1122 and 2010 “require associated persons to answer the questions of the Form U4 accurately and fully and to keep the information updated.”).

⁴⁹ Sanction Guidelines at 14 (2011 ed.) available at www.finra.org/Industry/Enforcement/SanctionGuidelines.

⁵⁰ *Id.*

away activity occurred; (4) whether the product sold away has been found to involve a violation of the federal or state securities laws; (5) whether the respondent had a beneficial interest in the issuer; and (6) whether the respondent attempted to create the impression that his or her member firm sanctioned the activity.

In this case, the Hearing Officer found several aggravating factors and no mitigating factors. Moran's misconduct continued for approximately nine months and involved 26 customers. The sales to FSC customers introduced by Moran were nearly \$1.7 million. HCM was involved in fraudulent conduct.⁵¹ Moran had loaned money to Hampton to help start HCM, and then Moran received more than \$200,000 for his assistance with obtaining investments in HCM. Because Moran did not fully cooperate with FINRA by responding to its requests for information, it is not possible to determine if Moran attempted to create the impression that his member firm sanctioned the activity.

After careful consideration of these factors, the Hearing Officer concludes that a bar is the appropriate sanction for violating NASD Conduct Rule 3040 and FINRA Conduct Rule 2010. The Hearing Officer also orders Moran to disgorge \$200,000, the ill-gotten gains that he received for his assistance with the HCM investments.⁵²

⁵¹ Compl. ¶ 13; Decl. ¶ 25.

⁵² Sanction Guidelines at 5 (Principal Consideration No. 6); see *Dep't of Mkt. Reg. v. Lane*, No. 20070082049, 2013 FINRA Discip. LEXIS 34 (N.A.C. Dec. 26, 2013) (citations omitted) ("[D]isgorgement is intended to force wrongdoers to give up the amount by which they were unjustly enriched."). The amount of disgorgement need only be a reasonable approximation of profits causally connected to the violation, and any risk of uncertainty in calculating disgorgement "falls upon the wrongdoer whose misconduct created the uncertainty and who bears the burden of proving that the measure is unreasonable." *Dep't of Enforcement v. Evans*, No. 2006005977901, 2011 FINRA Discip. LEXIS 36, at *40 n.42 (N.A.C. Oct. 3, 2011).

B. Rule 8210 Violations: Failure to Respond to Requests for Information and Providing False Information to FINRA

For failing to respond to FINRA Rule 8210 requests for information, the Sanction Guidelines provide that a bar should be “standard” when there is a complete failure to respond.⁵³ The Guidelines recommend a bar when a respondent provides a partial but incomplete response, unless the respondent can “demonstrate that the information provided substantially complied with all aspects of the request.”⁵⁴ The Principal Consideration for failing to respond or respond truthfully is the importance of the information from FINRA’s perspective. The Principal Considerations for providing a partial but incomplete response are: (1) the importance of the information requested that was not provided as viewed from FINRA’s perspective, and whether the information provided was relevant and responsive to the request; (2) the number of requests made, the time the respondent took to respond, and the degree of regulatory pressure required to obtain a response; and (3) whether the respondent thoroughly explains valid reason(s) for the deficiencies in the response.⁵⁵

All of the above considerations are applicable to the violations described in the Second and Third Causes of Action. Moran initially failed to respond, and then responded only after receiving notice that FINRA would be bringing charges against him. When he did respond on February 8, 2013, he responded untruthfully. Then, he failed to respond to the subsequent requests.

Rule 8210 “provides a means, in the absence of subpoena power, for [FINRA] to obtain from its members information necessary to conduct investigations.”⁵⁶ The rule thus “is at the

⁵³ Sanction Guidelines at 33.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Richard J. Rouse*, 51 SEC 581, 584, 1993 SEC LEXIS 1831, at *7 (1993).

heart of the self-regulatory system for the securities industry” and, when members delay their responses or neglect entirely their responsibilities under the rule, they “undermine the ability of [FINRA] to . . . protect the public interest.”⁵⁷

Here, Moran disregarded his responsibility to comply with Rule 8210. There are no mitigating factors. Accordingly, the Hearing Officer concludes that the appropriate sanction for Moran’s violations is a bar.

C. Failure to Disclose Tax Lien

The Sanction Guidelines for filing a false, misleading, or inaccurate Form U4 recommend a fine of \$2,500 to \$25,000 for an individual’s late filing of amendments and, in egregious cases, such as those involving repeated untimely filings, a suspension in any or all capacities (of up to two years) or a bar.⁵⁸ Among the principal considerations in determining sanctions is the nature and significance of the information at issue. Here, the information was highly significant; disclosure of the fact that Moran was heavily indebted to the IRS (for more than \$200,000) could have resulted in closer scrutiny of his conduct.

The Hearing Officer concludes that Moran’s misconduct is serious and warrants a suspension in all capacities for 30 business days and a \$10,000 fine. However, in light of the bars for the above violations, the Hearing Officer will not impose the sanctions for this Form U4 violation.

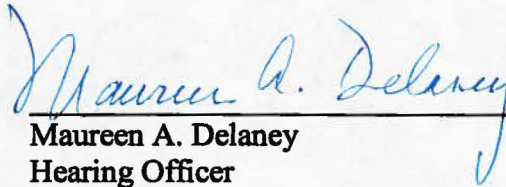
IV. Order

Timothy Moran is barred from associating with any member firm in any capacity for: (1) engaging in private securities transactions without providing his employer with prior written

⁵⁷ *Howard Brett Berger*, Exchange Act Rel. No. 58950, 2008 SEC LEXIS 3141, at *13 (Nov. 14, 2008), *pet. denied*, 347 Fed. App’x. 692 (2d Cir. 2009).

⁵⁸ Sanction Guidelines at 69-70.

notice, in violation of NASD Conduct Rule 3040 and FINRA Conduct Rule 2010; (2) failing to respond to FINRA requests for information, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010; and (3) providing false information to FINRA in response to Rule 8210 requests, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010. Respondent is ordered to disgorge \$200,000, his ill-gotten gains in connection with the violation of NASD Conduct Rule 3040 and FINRA Conduct Rule 2010. Respondent also failed to disclose material information on a Form U4, in violation of FINRA Rules 1122 and 2010, NASD IM-1000-1, and Article V, Section 2(c) of the FINRA By-Laws; however, in light of the bars, no additional sanctions are imposed for this violation. The bars shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.


Maureen A. Delaney
Hearing Officer

Copies to:

Timothy Moran (via overnight courier and first-class mail)
Jonathan Golomb, Esq. (via first-class and electronic mail)
Jeffrey Pariser, Esq. (via electronic mail)

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

TIMOTHY MORAN (CRD No. 2326078),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012031023301

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Timothy Moran engaged in undisclosed private securities transactions involving a private investment fund called Hampton Capital Management (“HCM”). Moran solicited at least 26 customers of his firm to invest approximately \$1.7 million in HCM. Moran also invested in HCM for himself. None of the investors have been repaid. Moran failed to disclose his solicitation of customers to invest in HCM, and his own investment in HCM, to his firm, in violation of NASD Rule 3040 and FINRA Rule 2010.

2. Moran has also failed to respond to two Rule 8210 requests for documents and information from FINRA staff and, on the one occasion when he did respond, he provided false information. He thereby violated FINRA Rules 8210 and 2010.

3. In addition, in April 2009, Moran became the subject of an IRS tax lien in the amount of \$216,654. Moran failed to disclose that lien on his Form U-4 in a timely manner and did not

disclose it until January 2010, in violation of NASD IM-1000-1, FINRA Rules 1122 and 2010, and Article V, Section 2(c) of the FINRA By-Laws.

RESPONDENT AND JURISDICTION

4. Respondent has been registered with six firms since entering the securities industry in 1993. He has held General Securities Representative (Series 7), General Securities Principal (Series 24), Registered Investment Advisor (Series 65), Investment Company Products/Variable Contracts Representative (Series 6), and Uniform Securities Agent State Law (Series 63) licenses.

5. Respondent was registered with FSC Securities Corp. from May 2010 through December 2011, which includes the time period relevant to this complaint. During that time, Moran had his own FSC securities office in Scottsdale, Arizona.

6. Moran's registration was terminated by FSC Securities on December 9, 2011. According to an Amended Form U5 filed by FSC Securities on December 23, 2011, he was discharged for violation of firm policy.

7. Respondent has not been associated with a FINRA member since leaving FSC Securities, but has been affiliated with two investment advisory firms.

8. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with FSC Securities Corp., namely, December 9, 2011; and (2) the Complaint charges him with conduct that commenced prior to the termination of his registration, and with failing to respond to FINRA requests for information

during the two-year period after the date upon which he ceased to be registered with a FINRA member.

FIRST CAUSE OF ACTION
Engaging in Undisclosed Private Securities Transactions
(Violation of NASD Rule 3040 and FINRA Rule 2010)

9. Enforcement realleges and incorporates by reference paragraphs 1-8 above.

10. In or about 2010, an individual named Thomas Hampton rented office space from Respondent within Respondent's FSC Securities office. Hampton used the space to operate a private hedge fund, Hampton Capital Management (HCM), which purportedly bought and sold exchange traded funds (ETFs) based on a proprietary trading strategy implemented by a custom-designed computer program.

11. On November 10, 2011, the Arizona Corporation Commission issued a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing against Hampton, HCM, and another individual, alleging that Hampton and HCM engaged in the sale of unregistered securities (including those sold by Respondent, discussed below), and failed to register as dealers or salesmen.

12. The Arizona Corporation Commission subsequently amended the action to allege that Hampton and HCM engaged in fraud by falsely telling investors that their investments had been profitable, when they were actually losing money.

13. On April 19, 2013, Hampton pled guilty to fraud charges brought by the U.S. Attorney for the Southern District of New York in connection with the HCM investment scheme, admitting that he concealed millions of dollars in losses he incurred.

14. In addition to subleasing space to Hampton, Respondent loaned Hampton money to help start HCM.

15. HCM began accepting investors in approximately October 2010. Respondent personally invested \$50,000 in HCM in October 2010, \$25,000 during the winter of 2011, and \$75,000 in May 2011.

16. Respondent did not disclose his personal investment in HCM to FSC Securities or obtain FSC Securities' permission to engage in those private securities transactions.

17. Between October 2010 and June 2011, Respondent introduced approximately 26 of his FSC Securities customers to Hampton so those customers could discuss a possible investment in HCM with Hampton. In at least ten instances, Respondent recommended that the customers invest or consider investing in HCM, or participated in meetings, telephone conversations or other communications between his customers and Hampton.

18. Approximately 26 FSC Securities customers who were introduced by Moran to Hampton invested approximately \$1.69 million in HCM.

19. Respondent received more than \$200,000 as compensation from HCM for his assistance in obtaining investments in HCM by his customers. These payments were made either directly to Moran or through an entity in which he held an interest called Hypat, LLC.

20. Respondent did not disclose his involvement or participation in selling interests in HCM to FSC Securities or obtain FSC Securities' permission to do so.

21. By virtue of his failure to disclose his involvement in, and obtain permission to participate in, private securities transactions in the HCM program, Respondent violated NASD Rule 3040. In addition, he thereby failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

SECOND CAUSE OF ACTION
Failure to Respond to Requests for Information
(Violation of FINRA Rules 8210 and 2110)

22. Enforcement realleges and incorporates by reference paragraphs 1-21 above.

23. On January 25, 2012, FINRA's Office of Fraud Detection and Market Integrity sent Respondent a letter requesting documents and information regarding his involvement with HCM pursuant to FINRA Rule 8210, with a February 8, 2012 due date. The letter was sent by certified mail, return receipt requested, and first class mail to Respondent's residential address as reflected in CRD. The return receipt for the letter indicates that the certified mailing was delivered on January 28, 2012, to "P. Moran." The first class mailing was not returned.

24. Respondent did not respond to the January 25, 2012 request for information.

25. On February 9, 2012, the Office of Fraud Detection and Market Integrity sent Respondent a second request pursuant to FINRA Rule 8210. The letter was sent via certified mail, return receipt requested, and first class mail to his CRD address. Delivery of the certified mailing was attempted on February 13, 2012, and a notice of attempted delivery was left at the residence address. The first class mailing was not returned.

26. Respondent did not respond to the February 9 letter by the stated deadline

27. In November 2012, FINRA Enforcement staff notified Respondent that it had made a preliminary determination to initiate an action against him for failing to respond to these requests for information.

28. Respondent then contacted the staff and stated that he intended to cooperate with the investigation.

29. On January 28, 2013, Enforcement sent Moran a new written request for information. Moran provided a written response on February 8, 2013.

30. Enforcement sent Respondent another request for information pursuant to FINRA Rule 8210 on May 22, 2013 to his CRD address by certified mail, first class mail, and email. The request required him to produce financial records, emails, and other information by June 10, 2013. Neither of the mailings was returned, and the U.S. Postal Service on-line tracking system shows that a notice of delivery attempt was left on May 25, 2013.

31. Respondent did not respond to the May 22, 2013 request for information.

32. Enforcement sent a second notice of the request for information pursuant to FINRA Rule 8210 on June 12, 2013 to Respondent's CRD address by certified mail, first class mail, and email, requiring him to produce the records by June 25, 2013. The certified mailing was signed for by "Trish Moran" on June 15, 2013, and the regular mailing was not returned as unclaimed or undelivered.

33. Respondent did not respond to the June 12, 2013 request.

34. By failing to respond to the January 25, 2012, February 9, 2012, May 22, 2013, and June 12, 2013 requests for information, Respondent violated FINRA Rule 8210. In addition, he thereby failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

THIRD CAUSE OF ACTION
Providing False Information in Response to Rule 8210 Request
(Violation of FINRA Rules 8210 and 2110)

35. Enforcement realleges and incorporates by reference paragraphs 1-34 above.

36. In his letter to the staff dated February 8, 2013 described in ¶29 above, Respondent stated that he had not received any compensation for referring clients to HCM. He stated that he had received more than \$200,000 from HCM as payment for the use by Hampton of his computers.

37. These statements were false. In fact, the payments were compensation from HCM for Moran's efforts in introducing his customers to Hampton so that they might invest in HCM.

38. By providing false information in a response to a Rule 8210 request, Respondent violated FINRA Rule 8210. In addition, he thereby failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

FOURTH CAUSE OF ACTION
Failure to Disclose Tax Lien
(Violation of NASD IM-1000-1, FINRA Rules 1122 and
2010, and Article V, Section 2(c) of the FINRA By-Laws)

39. Enforcement realleges and incorporates by reference paragraphs 1-39 above.

40. On April 7, 2009, the Internal Revenue Service filed a lien in the amount of \$216,654 against Respondent for unpaid tax liabilities.

41. Item 14M of Form U4 requires the disclosure of any unsatisfied judgments or liens against registered persons.

42. Respondent failed to amend his Form U4 to disclose the tax lien until January 11, 2010.

43. By failing to amend his Form U4 to disclose the tax lien on a timely basis, Respondent violated NASD IM-1000-1, FINRA Rule 1122, and Article V, Section 2(c) of the FINRA By-Laws. In addition, he thereby failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

RELIEF REQUESTED

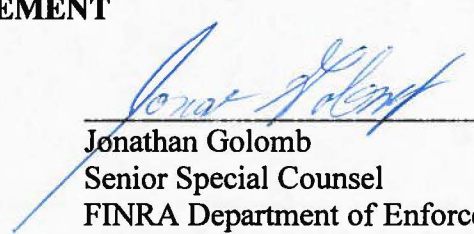
WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent(s) committed the violations charged and alleged herein;

- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: September 27, 2013



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