

Disciplinary and Other FINRA Actions

Firms Fined, Individuals Sanctioned

Finance 500, Inc. ([CRD® #12981](#), Irvine, California) and Robert Lansing Hicks ([CRD #846347](#), Orange, California) submitted an Acceptance, Waiver and Consent (AWC) in which the firm was censured and fined \$400,000, of which \$25,000 is joint and several with Hicks. Hicks was also suspended from association with any FINRA® member in any principal capacity for nine months. Without admitting or denying the findings, the firm and Hicks consented to the sanctions and to the entry of findings that they failed to establish and implement an anti-money laundering (AML) program reasonably designed to cause the detection and reporting of suspicious activity and to monitor low-priced stock trading. The findings stated that the firm's AML procedures and monitoring systems were not tailored to the risks associated with low-priced stock trading, which was a significant portion of a particular branch's business. Hicks failed to establish, or ensure that others established, written AML procedures customized to the risks associated with low-priced stock trading. The firm's procedures required heightened AML scrutiny for accounts deemed "high-risk," but the firm did not identify or maintain a list of high-risk accounts and thus did not provide heightened scrutiny of high-risk accounts. In fact, some of the firm's supervisors were unaware of the policy. In addition, because the firm failed to designate any accounts as high risk, the AML Compliance Officer (AMLCO) did not perform the additional review required by the firm's procedures. Deficient implementation of the firm's AML program also made it possible for registered individuals at the firm to ignore red flags of suspicious activity. As AMLCO, Hicks was responsible for implementing, or delegating to others to implement, the firm's customer identification program (CIP), which required the firm to verify customers' identities through a risk-based approach. In some cases, Hicks failed to take sufficient steps to ensure that brokers complied with the firm's CIP requirements. Most notably, the firm opened at least 300 accounts without properly verifying the account holders' identities. The customers resided in Vietnam and opened accounts with the firm to liquidate shares of a Nasdaq-listed company. The firm accepted photocopies of the customers' Vietnamese identification cards, but performed no additional non-documentary verification to ensure that the identification cards actually matched the person opening the account. The findings also stated that the firm, through Hicks, failed to design, implement, or enforce adequate written policies or other supervisory systems to oversee the firm's market making activities in low-priced stocks, sales of unregistered low-priced securities, retention and review of electronic communications, and delegation of

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FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

supervisory responsibilities. Neither Hicks nor anyone else at the firm ensured the trading and market making manual was provided to the relevant supervisory staff or notified them of its availability. Hicks failed to ensure the firm's market making activity was regularly reviewed. As a result, the branch's market making activity was not adequately supervised. Although the firm's procedures required a designated supervisor to regularly review electronic correspondence, the procedures failed to describe how to conduct such a review. As the firm's president and chief compliance officer (CCO), Hicks failed to properly delegate the firm's compliance responsibilities. The findings also included that the firm failed to capture the branch's instant messages in a manner compliant with Rule 17a-4 of the Securities Exchange Act of 1934. Rather than capturing instant messages automatically in real time, the firm relied on brokers in the branch office to save the messages on their hard drives for periodic, manual collection. As a result, the firm did not regularly access or review the messages and had no way of ensuring that messages were not deleted or altered. Although certain firm employees had been using Bloomberg Messages, the firm failed to retain the messages as required by Rule 17a-4. Further, the firm maintained books and records that in some instances were inaccurate because certain brokers in the branch office altered information on account paperwork after the paperwork was signed by customers or obtained signed, but otherwise blank, stock power forms that the brokers would complete at a later date. FINRA found that on several occasions throughout its investigation, the firm provided untimely and incomplete responses to requests for electronic communications and commission reports that unnecessarily delayed FINRA's investigation.

The suspension is in effect from January 4, 2016, through October 3, 2016. ([FINRA Case #2013036837801](#))

Fortune Securities, Inc. (CRD #40821, Alhambra, California) and Yinyi Chen (CRD #2086259, Arcadia, California) submitted an AWC in which the firm was fined \$7,500, jointly and severally, with Chen. Chen was also suspended from association with any FINRA member in any principal capacity for 30 days. Without admitting or denying the findings, the firm and Chen consented to the sanctions and to the entry of findings that the firm, through Chen, failed to supervise the investment advisory activities of a registered representative. The findings stated that the firm and Chen permitted the registered representative to engage in investment advisory activity away from the firm through his state-registered investment advisor. The registered representative, in his capacity as an investment advisor representative, caused securities transactions to be executed on behalf of his investment advisor clients away from the firm. Chen was the principal responsible for supervision of the registered representative, and the firm, through Chen, failed to supervise the registered representative's business in any manner because Chen failed to recognize that the registered representative's activities constituted private securities transactions.

The suspension is in effect from March 21, 2016, through April 19, 2016. ([FINRA Case #2011029405901](#))

Great Point Capital LLC (CRD #114203, Chicago, Illinois) and Michael Scott Olson (CRD #3021448, Oak Park, Illinois) submitted an Offer of Settlement in which the firm was censured, fined \$1,100,000, of which \$50,000 is joint and several with Olson, required to retain an independent consultant to conduct a comprehensive review of the adequacy of the firm's policies, systems, controls, procedures (written and otherwise), and training relating to potentially manipulative trading activity, including but not limited to, trading in connection with the Nasdaq opening and closing cross, layering and spoofing activity, retention and supervision of electronic communications, and short sale orders and transactions, and prohibited from trading in the Nasdaq Continuous Book while simultaneously trading in the same security, on the opposite side of the market, during the Nasdaq Opening or Closing Cross process until such time that the firm submits proof that it has implemented the recommendations of the independent consultant with respect to its supervisory deficiencies. Olson was also barred from association with any FINRA member in any principal capacity. Without admitting or denying the allegations, the firm and Olson consented to the sanctions and to the entry of findings that through two individuals, the firm singly and in concert, executed a series of small, progressively higher-priced orders for multiple securities in the Nasdaq Continuous Book during the two minutes leading up to the Nasdaq Opening Cross. The findings stated that these orders were intended to inflate, and did inflate, the price of each such security in the Nasdaq Continuous Book, so that the firm and individuals could obtain advantageous pricing on imbalance-only sell orders, which executed at the Nasdaq Opening Cross price. As a result, the firm willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, NASD Rule 2110, and FINRA Rule 2010. The firm and individuals, singly and in concert, individually and jointly, intentionally or recklessly effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive or other fraudulent devices or contrivances, in violation of NASD Rule 2120 and FINRA Rule 2020. The firm and individuals, singly and in concert, individually and jointly, engaged in unethical business conduct, i.e. to "push" the price of securities in the Nasdaq Stock Market prior to the Opening and/or Closing Crosses to obtain advantageous pricing on sell orders executed during the Nasdaq Opening and/or Closing Cross. The findings also stated that the firm and Olson, Great Point's CCO, knew or should have known about red flags suggesting that firm traders were engaging in potentially manipulative trading activity occurring prior to the Opening Cross and Closing Cross. As such, they failed to reasonably supervise the trading activity of firm traders and failed to establish and maintain a system to supervise the trading activities of the firm's proprietary traders that was reasonably designed to detect and prevent them from engaging in potentially manipulative, or otherwise improper, trading activity prior to the Opening Cross and Closing Cross. The firm and Olson failed to establish, maintain and enforce reasonable written supervisory procedures (WSPs) with respect to trading activity occurring prior to the Opening Cross and Closing Cross. The findings also included that the firm and Olson failed to detect and prevent potential manipulative "layering" activity occurring through a direct market access (DMA) customer account held at the firm. The firm and Olson failed to reasonably supervise the trading activity of the DMA

customer to detect and prevent potential manipulative “layering” transactions and failed to establish, maintain and enforce reasonable supervisory procedures, including WSPs, designed to monitor and review the trading activity of the DMA customer to detect and prevent potential “layering” transactions. FINRA found that the firm and Olson, acting through the firm and as president and designated principal responsible for the firm’s retention of electronic communications, failed to retain trader-to-trader electronic communications. Based on this conduct, the firm willfully violated Rule 17a-4(b)(4) of the Securities Exchange Act of 1934, NASD Rules 2110 and 3110, and FINRA Rules 2010 and 4511. Notwithstanding a provision in the firm’s WSPs, the firm failed to retain trader-to-trader communications. The firm’s WSPs prohibited the use of personal email accounts for business communications. The firm had no effective means or supervisory review in place to enforce compliance with this or any other provisions of the firm’s policy relating to electronic communications. With the exception of his suspension period resulting from a previous FINRA disciplinary action, Olson was responsible for establishing and enforcing the firm’s supervisory system and procedures with respect to electronic communications, including the firm’s email retention policy. However, Olson failed to establish, maintain and enforce an effective system of supervision and WSPs reasonably designed to address the supervision and review of trader-to-trader electronic communications. Olson failed to take reasonable steps to ensure that any other supervisor(s) with delegated authority regarding the supervision of electronic communications reasonably and diligently carried out those duties. FINRA also found that the firm’s WSP manuals were deficient in that they included outdated references to short sale rules no longer in effect, and failed to make reference to the requirements of Regulation SHO concerning order marking, locating and borrowing stock, and delivery procedures. The firm failed to establish, maintain and enforce a reasonable system of supervision, including adequate WSPs, with respect to short sale transactions. ([FINRA Case #2008014822702](#))

Sunrise Securities Corp. ([CRD #29804](#), New York, New York) and Marcia Kucher ([CRD #1270772](#), Riverdale, New York) submitted an AWC in which the firm was censured and fined \$30,000. A lower fine was imposed after considering, among other things, the firm’s revenue and financial resource. Kucher was fined \$10,000, suspended from association with any FINRA member in any principal capacity and in the capacity as CCO or AMLCO for 30 days and required to attend 12 hours of AML training. Without admitting or denying the findings, the firm and Kucher consented to the sanctions and to the entry of findings that the firm and Kucher, its AMLCO, failed to establish, maintain and implement AML procedures reasonably designed to detect and cause the reporting of suspicious transactions related to low-priced stock liquidations in delivery versus payment (DVP) accounts. The findings stated that the inadequate AML procedures were not sufficiently tailored to the firm’s business model, which included the liquidation of low-priced securities. The firm failed to have systems and procedures in place to investigate the identity of the ultimate customers of the firm’s institutional customers who beneficially

owned the securities in certain DVP accounts, investigate how those customers' customers acquired low-priced securities, or review or investigate the account activity to determine whether to file a suspicious activity report (SAR). As a result of the firm's inadequate AML systems and procedures, at least five of the firm's DVP accounts engaged in potentially suspicious trading activity in low-priced securities, liquidating more than 366 million shares for proceeds of approximately \$31 million. The firm earned \$453,684 in commissions in connection with these liquidations. The firm and Kucher were ultimately responsible for the firm's failures, including failing to ascertain that the AML procedures were deficient and adopting a third-party compliance vendor's AML procedures despite the fact that the procedures omitted red flag sections that were relevant to the firm's business. As a result, the firm and Kucher failed to detect and investigate numerous red flags and failed to assess whether the firm should file a SAR. The firm and Kucher, in her role as the AMLCO, failed to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act. The findings also stated that the firm and Kucher failed to implement a supervisory system reasonably designed to achieve compliance with the requirements of the Bank Secrecy Act and the Patriot Act because it failed to conduct due diligence on correspondent accounts for its foreign financial institutions. The AML procedures incorrectly stated that the firm had no correspondent relationships with foreign financial institutions covered by this provision. Nevertheless, the firm and Kucher were responsible for adopting and relying on the incorrect AML procedures and failed to inquire further whether the firm had correspondent relationships with foreign financial institutions. The firm and Kucher failed to obtain necessary information regarding foreign financial institution correspondent accounts that the firm opened. The firm also failed to conduct periodic activity reviews for foreign financial institution accounts to determine whether the activity was consistent with the information provided by the account holders at the accounts' inception. Had the firm and Kucher done so, they would have discovered that the customers were using the accounts for high-risk activity that was not originally indicated for the account. The findings also included that the firm and Kucher, in her role as CCO, also failed to establish, implement and maintain an adequate supervisory system and WSPs reasonably designed to determine whether the securities sold in DVP institutional transactions in which the firm acted as a market maker required registration or whether the transactions were exempt from registration in compliance with Section 5 of the Securities Act of 1933. FINRA found that Kucher failed to implement the firm's WSPs by conducting adequate supervisory reviews and daily monitoring of the activity in the head trader's accounts for which he was the broker-of-record.

The suspension was in effect from January 4, 2016, through February 2, 2016. ([FINRA Case #2013036840901](#))

Firms Fined

Aegis Capital Corp. (CRD #15007, New York, New York) submitted an AWC in which the firm was censured, fined \$17,500, and ordered to pay \$1,194.89, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted new order reports to the Order Audit Trail System (OATS™) that contained inaccurate, incomplete, or improperly formatted data. The findings stated that OATS was unable to match the new order reports the firm submitted to the corresponding route or combined order/route reports another FINRA member submitted to OATS for these orders. The findings also stated that the firm failed to execute customer orders fully and promptly. The firm failed to use reasonable diligence to ascertain the best inter-dealer market price, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under the prevailing market conditions. ([FINRA Case #2014040774901](#))

American Portfolios Financial Services, Inc. (CRD #18487, Holbrook, New York) submitted an AWC in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it engaged in unsuitable mutual fund switching, through its registered representatives, resulting in its customers incurring approximately \$91,000 in unnecessary sales charges. The findings stated that the firm has returned that amount to the customers. The findings also stated that the firm failed to establish and enforce a supervisory system, including WSPs, reasonably designed to detect and prevent unsuitable mutual fund switching. While the firm put in place a switch alert, it did not ensure that supervisors took appropriate steps to investigate those alerts. Although many of the transactions effected by the registered representatives triggered switch alerts, the firm did not follow up on them. Additionally, the firm, through its designated supervising principals, approved all of the mutual fund switches effected by the registered representatives, despite the presence of a number of red flags. ([FINRA Case #2013035369502](#))

Ameriprise Financial Services, Inc. (CRD #6363, Minneapolis, Minnesota) submitted an AWC in which the firm was censured and fined \$150,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to create and send to approximately 219,000 customers an account record within 30 days of the account opening for each of these customers. The findings stated that the failure came to the firm's attention when it was unable to locate certain account records FINRA requested during an examination. The firm determined that the failure resulted from the sequential timing of two automated systems. The two systems work in conjunction to identify new accounts requiring the delivery of account records within 30 days of the opening of an account. The firm created the account records but only furnished them to customers if the systems ran in a particular sequence. Otherwise, the systems failed to furnish an account record to the customer. Prior to the discovery of this issue, the firm was unaware that the two systems required certain sequencing to identify new accounts

requiring the delivery of account records within 30 days of account opening. Additionally, though the systems error occurred, the firm never detected the problem through internal checks. The firm's procedures for checking its account record delivery performance varied somewhat over the years but involved the same basic steps. However, of the approximate 219,000 account records, approximately 130,000 were eventually delivered to customers because of a separate triggering event, such as a change in name/address, account objective or the passage of 36 months. The firm did not mail an account record to approximately 10,893 account holders because the account was closed, the customer was deceased, or the account had an undeliverable mail address on record. After the firm discovered the systems error, it delivered the remaining account records—approximately 78,000—to customers in two mailings. The findings also stated that the firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to ensure compliance with applicable laws and regulations relating to the creation and distribution of account records at account opening. ([FINRA Case #2014043104601](#))

Banca IMI Securities Corp. (CRD #19418, New York, New York) submitted an AWC in which the firm was censured and fined \$250,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to create or implement an adequate supervisory system, or adopt and maintain adequate WSPs, reasonably designed to supervise certain charitable and business expenses incurred and approved by its then-chief executive officer (CEO) in order to, among other things, safeguard against potential or actual conflicts of interest. The findings stated that the firm failed to establish and maintain adequate written procedures to supervise the activities of its registered principals, including the then-CEO. The firm failed to implement appropriate controls and procedures, as well as any supervisory review of the CEO's delegated authority with respect to expenses. As a result, the CEO spent nearly \$900,000 of the firm's funds to, among other things, purchase certain works of art created and sold by his relatives and fund charitable donations to entities with which he had a personal connection or interest. The firm's procedures were not reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules. The firm's procedures did not provide examples of the types of expenditures that might be deemed extraordinary and outside its ordinary course of business and failed to designate a person or persons responsible for ensuring that expenses were categorized and approved by the requisite individuals, or to set an annual budget for extraordinary expenses for the firm. The findings also stated that the firm employed a registered representative as chief administrative officer without the appropriate registration. The firm failed to ensure that the representative qualified as a general securities principal within 90 calendar days from his association with the firm, and permitted him to function as a principal without having successfully passed the appropriate qualification examination. Although the firm registered the representative as a general securities principal, he did not obtain his Series 24 license until nearly one year after joining the firm in a supervisory capacity. ([FINRA Case #2013038353001](#))

Barclays Capital Inc. ([CRD #19714](#), New York, New York) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted inaccurate short interest positions to FINRA and failed to report short interest positions. ([FINRA Case #2012035143401](#))

BBVA Securities Inc. ([CRD #27060](#), New York, New York) submitted an AWC in which the firm was censured, fined \$75,000 and required to pay restitution in the total amount of \$79,779.75 to customers. The firm has paid full restitution, plus statutorily calculated interest, and provided proof of payment to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UITs) resulting in customers paying excessive sales charges of approximately \$72,857.96. The findings stated that the firm failed to establish, maintain and enforce an adequate supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. ([FINRA Case #2014041676201](#))

Beech Hill Securities, Inc. ([CRD #24771](#), New York, New York) submitted an AWC in which the firm was censured, fined \$30,000, required to revise its WSPs, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transaction was in an amount below the minimum denomination of the issue. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and Municipal Securities Rulemaking Board (MSRB) rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denominations as stated on relevant offering statements. ([FINRA Case #2014041323901](#))

BGC Financial, L.P. ([CRD #19801](#), New York, New York) submitted an AWC in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted transaction reports to the MSRB Real-time Transaction Reporting System (RTRS) that contained inaccurate information, including inaccurate information regarding execution time and interest rate. The findings stated that the firm reported municipal securities transactions that were identified on MSRB data quality reports as having a "questionable status." Although the firm had access to this data quality information, its supervisory system did

not include a requirement to review this information or otherwise provide for a reasonable process to identify transaction reporting errors. As a result, the firm failed to review its questionable trade reports. The findings also stated that with respect to trades in which the firm acted as a broker's broker, it failed to create and maintain a record of the analysis that it was required to conduct to identify bids for those securities that might not represent the fair market value. ([FINRA Case #2014039396301](#))

BNY Mellon Capital Markets, LLC ([CRD #17454](#), New York, New York) submitted an AWC in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to immediately display, route, execute, or cancel customer limit orders in over-the-counter (OTC) securities when the price and the full size of each customer limit order would have improved the firm's bid or offer in the security. ([FINRA Case #2015044269101](#))

BTIG, LLC ([CRD #122225](#), San Francisco, California) submitted an AWC in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it failed to execute customer market orders fully and promptly. ([FINRA Case #2014040941501](#))

Cantor Fitzgerald & Co. ([CRD #134](#), New York, New York) submitted an AWC in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to publish immediately a bid or offer that reflected the price and the full size of customer limit orders for OTC equity securities the firm held that were at a price that would have improved the bid or offer of the firm in such securities. ([FINRA Case #2014041051601](#))

Coburn & Meredith, Inc. ([CRD #164](#), Simsbury, Connecticut) submitted an AWC in which the firm was censured, fined \$75,000, ordered to pay \$203,097.47, plus interest, in restitution to customers, and required to submit a report to FINRA that explains how the firm has corrected its systems and procedures with respect to the sale of UITs to address its violations. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs resulting in customers paying excessive sales charges of approximately \$203,097.47. The findings stated that the firm failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. The firm failed to maintain any WSPs with respect to the identification of UIT transactions eligible for sales charge discounts. The firm relied primarily on its registered representatives to ensure that customers received appropriate UIT sales charge discounts, despite the fact that the firm did not effectively train representatives and their supervisors to identify and apply such sales charge discounts. ([FINRA Case #2014041677001](#))

Comprehensive Asset Management and Servicing, Inc. ([CRD #43814](#), Parsippany, New Jersey) submitted an AWC in which the firm was censured and fined \$475,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise its representatives' use of consolidated reports and failed to retain consolidated reports. The findings stated that the firm permitted its representatives to create and distribute consolidated reports to customers that reflected, among other things, investments customers held away from the firm. Firm representative used at least five different vendors to create consolidated reports. The firm did not, however, retain any records relating to sample reviews and could not evidence the number or frequency of the reviews it conducted or the total number of reports it reviewed. The firm did not capture, review or retain any of the consolidated reports sent through four of the five vendors. The findings also stated that the firm failed to reasonably supervise email communications, failed to retain business-related email and could not evidence any review of email by its CCO. The firm stored emails on its own computer servers but those emails were not maintained in a non-rewritable, non-erasable format. As a result, emails that were "double deleted" were permanently lost. The firm also failed to capture or retain any business-related communications of its representatives who used outside email accounts. The findings also included that the firm failed to identify securities transactions effected by its registered representatives on behalf of their investment advisory clients as private securities transactions, and failed to record, review, approve, and supervise those transactions. FINRA found that the firm failed to establish, maintain and enforce a supervisory system and procedures reasonably designed to supervise variable annuity transactions. FINRA also found that the firm failed to maintain a complete and accurate trade blotter. The firm failed to implement portions of its AML compliance program by failing to conduct the required Financial Crimes Enforcement Network (FinCEN) 314(a) reviews, failing to comply with the CIP provisions of the Bank Secrecy Act, and failing to provide formal AML training. ([FINRA Case #2012030675901](#))

Duncan-Williams, Inc. ([CRD #6950](#), Memphis, Tennessee) submitted an AWC in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the correct trade time to the RTRS in municipal securities transaction reports and failed to report information about some of these transactions to an RTRS portal within 15 minutes of the trade time. The findings stated that the firm failed to show the correct execution time on the memoranda for these same municipal securities transactions. The firm failed to report to the Trade Reporting and Compliance Engine® (TRACE®) the correct execution time for transactions in TRACE-eligible securitized products and failed to show the correct execution time on brokerage order memoranda, which includes some of these transactions. The findings also stated that the firm failed to enforce its WSPs regarding TRACE and MSRB reporting. ([FINRA Case #2013036762401](#))

eBX LLC dba Level ATS ([CRD #138138](#), Boston, Massachusetts) was censured and fined \$340,000. The sanctions were based on findings that the firm inaccurately denoted itself as “principal” instead of “agent” when it reported transactions to FINRA. The findings stated that the firm matched and reported more than one million agency cross transactions between broker-dealer subscribers who were not members of FINRA. In these, as in all trades it matched, the firm acted in a dual agency capacity, never in a single or principal capacity. Nonetheless, because of a programming error, the firm incorrectly identified itself as “principal” rather than “agent” in trade reports it submitted to the FINRA/NASDAQ Trade Reporting Facility® (FNTRF). The firm matched more than 14 million buy orders from subscribers who are FINRA members with short sell orders from subscribers who are not FINRA members. In reporting these transactions, the firm did not use either a short sale or a short sale exempt indicator to reflect that the non-FINRA member leg of each match was a short sale. The findings also stated that the firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with its trade reporting obligations. ([FINRA Case #2010021572001](#))

Electronic Transaction Clearing, Inc. ([CRD #146122](#), Los Angeles, California) submitted an AWC in which the firm was censured, fined \$75,000 and agreed to conduct a review of its policies, systems, and procedures (written or otherwise) relating to its compilation and submission of blue sheet data and its audit deficiencies. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that over an approximately two-year period, it submitted incorrect blue sheets to FINRA and the Securities and Exchange Commission (SEC) that misreported transactions. The findings stated that due to a coding error with its system, when compiling blue sheets, the firm’s system correctly identified responsive trades by introducing firms, but failed to identify the correct account information (account number and name) for the trades. Instead, the firm’s system randomly selected account information from among the introducing firm’s accounts. The firm had no procedures for validating blue sheets for accuracy or completeness before submitting them to regulators. ([FINRA Case #2014039947501](#))

Essex Radez LLC ([CRD #34649](#), Chicago, Illinois) submitted an AWC in which the firm was censured, fined \$50,000 and agreed to conduct a review of its policies, systems, and procedures (written or otherwise) relating to its compilation and submission of blue sheet data and its audit deficiencies. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted inaccurate blue sheets to the SEC and FINRA that misreported transactions. The findings stated that the firm’s blue sheet system pulls trade data from different systems within the firm. This data must be matched for inclusion on the firm’s blue sheet submissions. Due to a programming error, the firm’s system could not properly match data for some trades, which were omitted from the firm’s blue sheets. The firm failed to have in place an audit system reasonably designed to ensure compliance with federal securities laws and to provide accountability of its blue sheet submissions. ([FINRA Case #2015044333201](#))

E*Trade Securities LLC (CRD #29106, New York, New York) submitted an AWC in which the firm was censured, fined \$42,500, required to revise its WSPs, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which was not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts below the minimum denomination of the issue. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denomination as stated on relevant offering statements. ([FINRA Case #2014041853201](#))

Feltl & Company (CRD #6905, Minneapolis, Minnesota) submitted an AWC in which the firm was censured, fined \$12,500, and required to pay \$978.06, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to execute orders fully and promptly, and failed to use reasonable diligence to ascertain the best inter-dealer market and buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. ([FINRA Case #2013039508201](#))

Finance 500, Inc. (CRD #12981, Irvine, California) submitted an AWC in which the firm was censured and fined \$85,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a reasonable supervisory system and written procedures to review and monitor sales of private placements offerings for issuers by its investment banking department in the areas of due diligence, suitability and marketing materials provided to customers. The findings stated that the firm had an inadequate system or written procedures regarding who should conduct due diligence on private placements, the scope of responsibilities of the different individuals involved in the due diligence process, or how the firm should identify, analyze, address or document red flags identified during due diligence. While the firm relied on an outside law firm for assistance with due diligence, the firm failed to have an adequate system or written procedures defining the scope of the law firm's responsibilities or how the firm would monitor the law firm's work. The firm also had an inadequate system or written procedures regarding how it would determine or document when sufficient due diligence had been completed and an offering could proceed. The findings also stated that the firm did not have an adequate system or written procedures regarding how it would consistently collect the same threshold suitability documents from each customer, and, in some cases, the documents that it did collect were incomplete and did not

include all requested information. The firm failed to have a reasonable system or written procedures regarding how and when supervisory approval would be given for a particular customer, and at times allowed its registered representatives to evade its supervisory system by permitting customers solicited by the firm's registered representatives to make investments directly with the issuer. Additionally, the firm had an inadequate system or written procedures regarding at which point in the transaction supervisory approval of an investment had to be given, even allowing supervisory approval to be given after all parties, including the issuer, had signed subscription documents. Further, the firm's WSPs concerning suitability of private placements were vague as to how suitability information should be analyzed or evaluated, such as by describing whether "sufficient net worth" included all assets, or only liquid assets, and offered no guidance on what consideration a customer's concentration in private placements would play in the firm's suitability analysis. The findings also included that the firm failed to have a reasonable system or written procedures regarding how the firm would determine whether all marketing materials being used had been approved. The firm did not learn until after FINRA made a request for advertising materials that the firm sent unapproved materials regarding the offerings to customers and that the firm had made presentations to customers during conference calls. The firm's WSPs contained outdated descriptions of which marketing materials required review and approval and the WSPs related specifically to private placement marketing materials contained only a discussion on general solicitation. FINRA found that the firm used, or permitted issuers to use, private placement marketing materials that were not fair and balanced, made misleading, unwarranted or unsupported statements and failed to disclose the firm's name and relationship between the firm and the issuer. The firm also used, or permitted issuers to use, certain PowerPoint presentations with customers or prospective customers that contained inadequate risk disclosure and failed to provide a balanced presentation of the risks and rewards of an investment. ([FINRA Case #2013038091902](#))

FTB Advisors, Inc. ([CRD #17117](#), Memphis, Tennessee) submitted an AWC in which the firm was censured, fined \$125,000 and required to pay \$139,742.79 in restitution to customers. The firm has paid full restitution, plus statutorily calculated interest, and provided proof of payment to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs, resulting in customers paying excessive sales charges of approximately \$139,742.79. The findings stated that the firm failed to establish, maintain and enforce an adequate supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. ([FINRA Case #2014042543201](#))

George K. Baum & Company ([CRD #36354](#), Kansas City, Missouri) submitted an AWC in which the firm was censured, fined \$100,000 and required to disgorge \$170,000, plus interest. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it charged a public school district customer

an underwriting fee of over four times the typical underwriting fee in connection with the issuance of \$9.67 million in general obligation bonds. The findings stated that the firm charged the school district \$43 per \$1,000 of bonds issued, for a total underwriting fee of \$416,173.59. The underwriting fee the firm charged was inappropriate given the underwriting work it performed. In anticipation of, and prior to the offering, the firm provided the superintendent of the school district with a memorandum for her to use to explain the firm's proposed fee to her board of education. In the memo, the firm acknowledged that the typical fee for the offering would range from \$7 to \$9 per \$1,000 of bonds issued. Because the underwriting fee the firm proposed was significantly higher than the typical fee, the firm attempted in the memo to justify its proposed fee of \$43 per \$1,000 of bonds issued. The firm claimed the proposed higher underwriting fee was appropriate because the firm originally believed it would be underwriting \$64 million in bonds for the school district. The firm's initial belief as to the size of the proposed bond offering and the services provided in connection with failed district-wide bond elections was not an appropriate consideration in the firm's determination of its underwriting fee because it had no reasonable relationship to the actual underwriting by the firm in the offering. The justifications provided by the firm in the memo for the higher underwriting fee were not appropriate given the facts and circumstances of the offering and, therefore, did not justify the underwriting fee the firm proposed and ultimately charged. The firm's compensation was disproportionate to the nature of the underwriting and related services performed by the firm in connection with the offering. ([FINRA Case #2013035375901](#))

Great Point Capital LLC ([CRD #114203](#), Chicago, Illinois) submitted an AWC in which the firm was censured, fined \$150,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report Reportable Order Events (ROEs) to OATS and failed to transmit ROEs to OATS on 231 business days. The findings stated that the firm transmitted Route or Combined Order/Route Reports to OATS that contained inaccurate, incomplete or improperly formatted data. As a result, OATS was unable to link to the corresponding new order transmitted by the destination member or to the related order in the exchange market center. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning OATS reporting and registration of its associated persons. ([FINRA Case #2013038630101](#))

ICAP Corporates LLC ([CRD #2762](#), Jersey City, New Jersey) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have adequate supervisory systems and controls in place, including a separate system of follow-up and review, and reasonable WSPs, with respect to the execution of customer orders that involved trade errors or customer accommodations in the profit and loss account under \$250. ([FINRA Case #2013037264901](#))

J.P. Morgan Securities LLC (CRD #79, New York, New York) submitted an AWC in which the firm was censured, fined \$725,000, required to revise its WSPs, and required to provide three written reports to FINRA on dates that are no more than three months, six months and nine months after the date of the Notice of Acceptance of the AWC, concerning the firm's implementation and effectiveness of the firm's policies, systems and procedures (written and otherwise) and training to ensure that the firm addresses its supervisory inadequacies. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report S1 transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to report to TRACE P1 transactions in TRACE-eligible corporate debt securities that it was required to report, failed to report to TRACE the correct contra-party's identifier for P1 transactions in TRACE-eligible corporate debt securities, and failed to accurately report to TRACE the price for P1 transactions in TRACE-eligible corporate debt securities. The firm also reported to TRACE P1 transactions in TRACE-eligible corporate debt securities it was not required to report and failed to report transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. The findings also stated that the firm, as a managing underwriter, failed to report new issue offerings in TRACE-eligible corporate debt securities to FINRA according to the time frames set forth in FINRA Rule 6760. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA rules, concerning FINRA Rule 6730. ([FINRA Case #2013036896001](#))

KCG Americas LLC fka Knight Capital Americas LLC (CRD #149823, Jersey City, New Jersey) was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted Execution or Combined Order/Execution Reports to OATS, which contained inaccurate, incomplete or improperly formatted data. ([FINRA Case #2013037816601](#))

Liberty Associates, Inc. (CRD #15071, New York, New York) submitted an AWC in which the firm was censured and fined \$3,500. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it did not establish, maintain and enforce a reasonable supervisory system, including WSPs, to supervise the private placement activities a former registered representative conducted, and related to performing due diligence of private placement offerings and determining the accreditation status of the investors in those offerings. The findings stated that the firm failed to retain and review business-related emails sent and received by that registered representative from his non-firm email account. ([FINRA Case #2013035239001](#))

Lime Brokerage LLC ([CRD #104369](#), New York, New York) submitted an AWC in which the firm was censured, fined \$20,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it had fail to deliver positions at a registered clearing agency in equity securities that resulted from sale transactions, and did not close out the fail to deliver position by purchasing or borrowing securities of like kind and quantity within the time frame and manner prescribed by Rule 204(a) of Regulation SHO. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to Rule 204 of Regulation SHO. ([FINRA Case #2013036845301](#))

Lincoln Financial Advisors Corporation ([CRD #3978](#), Fort Wayne, Indiana) submitted an AWC in which the firm was censured and fined \$90,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to adequately supervise the activities of a registered representative who engaged in unsuitable penny stock trading. The findings stated that the firm failed to enforce its WSPs regarding solicited penny stock transactions, and failed to establish a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations in that, although it had a system to monitor low-priced securities transactions, the system was deficient in certain respects because it failed to detect the scope of, and prevent, the registered representative's activities. The firm's exception reporting system triggered an alert whenever any penny stock transaction over \$5,000 was executed. For orders executed in multiple lots under \$5,000, the system would trigger an alert only for the lot that caused the aggregate transaction to cross the \$5,000 threshold. With respect to the registered representative, the vast majority of the penny stock purchases were executed in different lots, some of which were under \$5,000, and some which were over \$5,000. The system failed to trigger alerts on all lots executed under \$5,000, and those transactions were not specifically reviewed. The findings also stated that with respect to the registered representative's low-priced securities transactions, there were approximately 150 alerts triggered on the firm's exception reporting system. Despite these alerts, the firm did not detect the scope, or unsuitability, of the registered representative's low-priced securities transactions because it generally analyzed each particular transaction causing the exception trigger, in isolation. On three occasions, firm analysts raised questions about the nature of the registered representative's low-priced securities transactions, but the firm either did not sufficiently investigate further or accepted the registered representative's explanations. As a result, the firm did not take any steps to restrict registered representative's trading activities until after the first customer's complaint. Upon receipt of that complaint, the firm suspended the registered representative's trading authority and later terminated him for violating the firm's policy with respect to penny stock transactions. The firm received more complaints relating to the registered representative and the firm paid approximately \$616,109 in settlements. ([FINRA Case #2011029739902](#))

LinkBrokers Derivatives LLC ([CRD #123000](#), Jersey City, New Jersey) submitted an AWC in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it executed a portion of a client order in index fund puts on an options exchange at a price for its customer despite prior knowledge of an offer at a better price in another options exchange trading crowd. ([FINRA Case #2013036456901](#))

Mann Mann Jensen Partners LP ([CRD #137389](#), New York, New York) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it made commission payments totaling \$493,069.84 to an unregistered business entity two of its registered representatives controlled. ([FINRA Case #2014039368301](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated ([CRD #7691](#), New York, New York) submitted an AWC in which the firm was censured, fined \$1,250,000 and required to review its systems and procedures regarding the identification, fingerprinting, and screening of non-registered associated persons to ensure that current systems and procedures are reasonably designed to achieve compliance with all securities laws and regulations, including Sections 17(a) and 17(f) of the Securities Exchange Act of 1934 and Rules 17a-3 and 17f-2 thereunder, FINRA By-Laws Article III, Section 3(b), and FINRA Rule 4511. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to conduct adequate background checks on approximately 4,500 of its 20,000 non-registered associated persons. The findings stated that certain of the non-registered associated persons were not fingerprinted at all, and others were not fingerprinted until after they began to work for the firm. Although the 4,500 non-registered associated persons were screened under Section 19 of the Federal Insurance Deposit Act (Section 19) for certain criminal convictions, they were not screened for some types of felony convictions or regulatory actions, as required under the Securities Exchange Act of 1934 (Exchange Act). The findings stated that, as a result, the firm allowed at least one person who was subject to statutory disqualification due to a felony conviction to associate with it, and was not able to determine whether other associated persons were subject to a disqualification because their association terminated before the firm screened them. Additionally, the firm failed to create and maintain a record of the arrest and felony conviction for the person subject to a disqualification, or fingerprint records for all of its eligible associated persons. The firm's failure to fingerprint or properly screen 4,500 of its associated persons arose in part as a result of the firm's acquisition by another company. After it was acquired, the firm did not establish and maintain a supervisory system to identify all of its associated persons, to screen them for statutory disqualification as required by FINRA By-Laws, and to fingerprint eligible associated persons. The firm also failed to establish, maintain and enforce written procedures that were designed to achieve compliance with applicable securities laws and regulations, including recordkeeping provisions, fingerprinting provisions and FINRA eligibility rules. ([FINRA Case #2013038772501](#))

Mischler Financial Group, Inc. ([CRD #37818](#), Corona Del Mar, California) submitted an AWC in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within 15 minutes of the execution time. ([FINRA Case #2014043124301](#))

Moloney Securities Co., Inc. ([CRD #38535](#), Manchester, Missouri) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to adequately and promptly investigate the conduct of one of its representatives after learning that a customer had filed a complaint against him. The findings stated that a customer notified FINRA about several concerns she had pertaining to the representative registered with the firm. Immediately thereafter, FINRA notified the firm of the customer's complaint and proceeded to commence an investigation into the matter. At the time of FINRA's notification to the firm, the firm knew, or should have known, that the representative had been previously discharged from another member firm for accepting a loan from a customer in violation of that firm's policies. Further, the firm's WSPs prohibited registered representatives from borrowing money from their customers and required that they obtain written approval before engaging in any outside business activity. Despite receiving a letter from FINRA requesting information about the customer's complaint, the firm failed to promptly and adequately investigate the representative's activities, even though his actions may have been in violation of the firm's WSPs and FINRA rules. Among other things, the firm never interviewed the customer, did not question the representative about his recommendation and failed to audit his branch office. ([FINRA Case #2014040316001](#))

Morgan Stanley & Co. LLC ([CRD #8209](#), New York, New York) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete, or improperly formatted data. ([FINRA Case #2014039937701](#))

Morgan Stanley Smith Barney LLC ([CRD #149777](#), Purchase, New York) submitted an AWC in which the firm was censured, fined \$20,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit ROEs to OATS on 377 business days. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning OATS reporting. ([FINRA Case #2014041399601](#))

National Securities Corporation ([CRD #7569](#), Seattle, Washington) submitted an AWC in which the firm was censured, fined \$25,000, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the

firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the rule. ([FINRA Case #2014041850701](#))

Oppenheimer & Co. Inc. (CRD #249, New York, New York) submitted an AWC in which the firm was censured and fined \$225,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise and to have an adequate supervisory system, including adequate WSPs, to address short positions in tax-exempt municipal bonds that resulted primarily from trading errors. The findings stated that as a result of these supervisory failures, the firm inaccurately represented to its customers holding municipal bonds that at least \$188,974.38 in interest that the firm paid to those customers was exempt from taxation. The firm did not hold the bonds on behalf of the customers and the interest that the customers received was paid by the firm and thus taxable as ordinary income. This resulted in the underpayment of not less than \$68,227.43 in federal income taxes. The findings also stated that the firm did not provide adequate guidance or oversight on how and when municipal short positions should be covered. As a result of the firm's lack of procedures regarding municipal short positions in branch error accounts and firm trading accounts, many of the short positions were not covered in a timely fashion. This deficiency may have been prolonged due to the difficulty of covering these positions in light of the characteristics of municipal securities as well as the limited amount outstanding of a particular municipal bond. The firm recognized that short positions were not being covered in a timely fashion and subsequently revised its procedures to reduce the number of aged short positions. The firm has also implemented revised procedures to minimize its short municipal bond positions and to properly report firm-paid interest as taxable. The findings also included that the firm failed to consider, and its Dividend department that was responsible for distributing and reconciling the interest owed to customers did not take into account, whether the interest paid to customers should be coded as non-taxable when the interest was paid by the firm rather than the municipal issuer. The firm failed to disclose to customers that they were not receiving tax-exempt interest when the firm was short municipal bonds. In addition, the firm sent inaccurate Forms 1099 to certain customers who received firm-paid interest and also sent inaccurate account statements to certain customers that incorrectly classified firm-paid interest as tax-exempt when it should have been classified as taxable. FINRA found that the firm had inaccurately reported firm-paid interest from short municipal bond positions to customers on Forms 1099 and account statements. Thereafter, the firm implemented revised procedures to minimize its short municipal positions and properly report firm-paid interest as taxable on the Forms 1099 issued to customers. The firm has also agreed in principal with the Internal Revenue Service (IRS) to make a payment to relieve its customers of the burden of filing amended tax returns and paying additional federal income tax. FINRA also found that the firm did not maintain records identifying particular customer accounts that offset its short municipal bond positions. The firm's short positions were held

in aggregate and not allocated to specified customers. Because the firm's short municipal bond positions were not offset against specific customer holdings, the firm was unable to accurately report taxable income to its customers who were receiving firm-paid interest as taxable income. ([FINRA Case #2013038149001](#))

Oppenheimer & Co., Inc. (CRD #249, New York, New York) submitted an AWC in which the firm was censured, fined \$200,000, and required to offer rescission to the customers who purchased securities at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the trade time. Specifically, it failed to inform its customers that the municipal securities transaction was in an amount below the minimum denomination of the issue. ([FINRA Case #2014041832801](#))

Pariter Securities, LLC (CRD #127836, Guaynabo, Puerto Rico) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to adequately establish, maintain and enforce a supervisory system and WSPs to prevent its registered representatives from exercising discretionary power in customer accounts prior to obtaining written authorization granted from the customers and acceptance by the firm. ([FINRA Case #2015045363001](#))

Princor Financial Services Corporation (CRD #1137, Des Moines, Iowa) submitted an AWC in which the firm was censured and fined \$115,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely review approximately 2.7 million incoming email communications for approximately 2,100 email accounts due to a coding error in the firm's email monitoring system. The findings stated that the firm discovered a disparity between the number of emails stored in its email retention system and the number of emails diverted to the firm's email review system. In its investigation, the firm discovered incoming emails for approximately 2,100 accounts with vanity domains (email addresses other than principal.com) were diverted to the firm's email retention system without first being run through the firm's email system for supervisory review because of a custom coding problem in the email review system. The findings also stated that the firm failed to adequately monitor and test its technology infrastructure to determine that emails were properly routed to the firm's email monitoring system and to determine if vanity email domains were experiencing disruptions that would result in the failure to review email correspondence in those accounts. ([FINRA Case #2013035279601](#))

Quest Capital Strategies, Inc. ([CRD #16783](#), Lake Forest, California) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish adequate supervisory systems and WSPs relating to the supervision of certain mutual fund sales practices, the supervision of accounts to ensure customers were not charged both investment advisory management fees and broker-dealer transaction-based commissions, and compliance with Regulation S-P regarding the encryption of customer information sent electronically. The findings stated that while the firm stated that its compliance officers conducted a suitability review concerning share class, letter of intent and breakpoints, the firm failed to provide documentation that any such suitability review by the compliance officers occurred concerning mutual fund transactions. In certain instances, the firm's registered representatives failed to complete an internal firm form titled Mutual Fund Prospectus Receipt Risk and Benefit Disclosure, and Acknowledgment (MFPR Form) for new customers who held mutual funds as investments, even though those customers engaged in further mutual fund transactions at the firm. As a result, the firm never documented any review concerning the suitability of the mutual fund transactions concerning those customers. In addition, the firm could not perform a suitability review with respect to certain customers' mutual fund transactions because the registered representatives were using an outdated MFPR Form that did not request the customer's time horizon. Without a stated investment time horizon, the firm could not conduct a suitability review of those transactions. The findings also stated that the firm failed to have WSPs in place as to how the firm would monitor and review accounts to prevent charging a customer both an investment advisory management fee and a broker-dealer transaction-based commission, and how the firm would ensure that customer information is kept confidential, safeguarded, and encrypted prior to sending electronically. The findings also included that the firm's annual testing of its supervisory procedures that an independent third-party firm performed did not identify the supervisory deficiencies and therefore the testing performed was not adequate. ([FINRA Case #2014038995701](#))

RBS Securities, Inc. ([CRD #11707](#), Stamford, Connecticut) submitted an AWC in which the firm was censured and fined \$22,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products and corporate debt securities to TRACE within the time required by FINRA Rule 6730. The findings stated that the firm failed to report the correct trade execution time for transactions in TRACE-eligible securitized products to TRACE and failed to show the correct execution time on brokerage order memoranda. ([FINRA Case #2014043124101](#))

Royal Alliance Associates, Inc. ([CRD #23131](#), New York, New York) submitted an AWC in which the firm was censured, fined \$225,000 and required to submit satisfactory proof of payment of restitution to affected customers in the amount of approximately \$204,000, or of reasonable and documented efforts undertaken to effect restitution. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings

that it failed to identify and apply sales charge discounts to certain customer's eligible purchases of UITs resulting in customers paying excessive sales charges of approximately \$204,000. The findings stated that the firm has paid restitution to all affected customers. The firm failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. The firm relied primarily on its registered representatives to ensure that customers received appropriate UIT sales charge discounts, despite the fact that the firm did not effectively inform and train representatives and their supervisors to identify and apply such sales charge discounts. The findings also stated that the firm failed to reasonably supervise a registered representative that effected UIT transactions in customer accounts that presented red flags and were identified as potential compliance issues on firm surveillance reports. The firm instituted trading parameters to address the registered representative's activities, but did not effectively implement those measures. The findings also included that the firm failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to ensure that registered representatives furnished customers with a prospectus for UIT investments. ([FINRA Case #2012034450501](#))

Securevest Financial Group (CRD #10100, Morristown, New Jersey) submitted an AWC in which the firm was censured, fined \$30,000, required to revise its WSPs, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which was not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts below the minimum denomination of the issue. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denomination as stated on relevant offering statements. ([FINRA Case #2014041846801](#))

SG Americas Securities, LLC (CRD #128351, New York, New York) submitted an AWC in which the firm was censured, fined \$22,500, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade throughs of protected quotations in national market system (NMS) stocks that do not fall within any applicable exception and, if relying on an exception, are reasonably designed to assure compliance with the terms

of the exception. The findings stated that the firm inaccurately appended modifiers to transaction reports submitted to the FNTRF identifying such transactions as qualifying for an exception or exemption from SEC Rule 611 of Regulation NMS. The firm also failed to take reasonable steps to establish that the intermarket sweep orders it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS. ([FINRA Case #2012033051601](#))

SG Americas Securities, LLC ([CRD #128351](#), New York, New York) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed, within 30 seconds after execution, to transmit to the FNTRF last sale reports of transactions in designated securities. The findings stated that the firm failed to report transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730. ([FINRA Case #2012034512301](#))

Summit Brokerage Services, Inc. ([CRD #34643](#), Boca Raton, Florida) submitted an AWC in which the firm was censured, fined \$250,000 and ordered to pay \$9,556.84, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that by and through certain of its registered representatives, it recommended leveraged and inverse exchange-traded funds (nontraditional ETFs) to certain customers without fully understanding the unique features and specific risks associated with them. The findings stated that the firm allowed their registered representatives to make unsuitable recommendations to customers to purchase nontraditional ETFs by failing to conduct adequate due diligence on the products. The firm did not provide adequate formal training to its representatives regarding non-traditional ETFs before permitting them to recommend the products to customers. As a result, the firm's registered representatives were insufficiently informed regarding the unique features and specific risks associated with nontraditional ETFs. These recommendations resulted in the firm's retail customers buying and selling approximately \$250 million worth of nontraditional ETFs. Several customers with conservative investment objectives who bought one or more nontraditional ETFs based on recommendations made by firm registered representatives, and who held those investments for longer periods of time, experienced net losses. The findings also stated that the firm failed to establish and maintain an adequate supervisory system, including written procedures, reasonably designed to ensure that the firm's sales of nontraditional ETFs were in compliance with applicable federal securities laws and NASD and FINRA rules. Further, the firm did not have specific procedures addressing nontraditional ETFs, including procedures to address the risks associated with longer-term holding periods in nontraditional ETFs, and procedures designed to monitor the holding periods. Prior to any inquiry from FINRA, the firm amended its policies to prohibit representatives from recommending the purchase of non-traditional ETFs to customers unless authorized by its CCO. ([FINRA Case #2011029635101](#))

SunGard Brokerage & Securities Services LLC ([CRD #104162](#), Geneva, Illinois) submitted an AWC in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted ROEs to OATS that contained inaccurate, incomplete, or improperly formatted data, and failed to record accurate and/or complete information on brokerage order memoranda. ([FINRA Case #2014039942201](#))

Sunrise Securities Corp. ([CRD #29804](#), New York, New York) submitted an AWC in which the firm was censured and fined \$20,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that the firm's investment banking unit acted as a distribution participant in a distribution of securities in three separate private OTC equity offerings and the firm's trading desk published and maintained a principal bid in the covered security and/or executed purchases of the covered security on a principal basis during the restricted period. The findings stated that the firm, while acting as a manager (or in a similar capacity) in a distribution of securities in three separate OTC equity offerings that were subject to a restricted period under SEC Rule 101, and three separate private OTC equity offerings, failed to submit a Regulation M Restricted Period Notification in two instances, and failed to submit a timely Notification in a third instance. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning SEC Rule 101 and FINRA Rule 5190. The firm also failed to preserve for a period of not less than three years, the first two in an accessible place, certain documents, including communications, related to its conduct under SEC Rule 204(a). ([FINRA Case #2012031334401](#))

Titleist Asset Management, Ltd. ([CRD #126136](#), San Antonio, Texas) submitted an AWC in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it failed to report transactions in TRACE-eligible bonds to TRACE within 15 minutes of the execution time. The findings stated that the firm reported inaccurate execution times for the transactions, which were reported from one minute to 15 days late. ([FINRA Case #2015043470801](#))

UBS Securities LLC ([CRD #7654](#), New York, New York) submitted an AWC in which the firm was censured, fined a total of \$1,250,000, of which \$150,000 shall be paid to FINRA, and required to address its Market Access Rule deficiencies to ensure that the firm has implemented procedures that are reasonably designed to achieve compliance with the applicable rules and regulations. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that this matter was part of an investigation that initially focused on the firm's failure across multiple desks to reasonably prevent the entry of certain erroneous equity or options orders sent to multiple exchanges. The findings stated that as a result of the investigation, FINRA determined that the firm failed to have financial risk management controls reasonably designed to prevent the

transmission of numerous erroneous equity or options orders, and orders that exceeded appropriate pre-set credit thresholds in the aggregate for its customers, and the firm failed to have adequate supervisory procedures designed to manage the financial, regulatory and other risks of market access. ([FINRA Case #2012032330601](#))

ViewTrade Securities, Inc. (CRD #46987, Boca Raton, Florida) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that on a number of occasions, it accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security, or entering into a bona fide arrangement to borrow the security; or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with Securities Exchange Act of 1934 Rule 203(b)(1) of Regulation SHO. The findings also stated that the firm made publicly available a report on its routing of non-directed orders in covered securities. In that report, the firm failed to disclose the “material aspects” of its relationship with its significant execution venues as it pertains to payment for order flow arrangements. The firm is required to describe the material terms of the arrangement, such as any amounts per share or per order that the broker-dealer receives pursuant to Securities Exchange Act of 1934 Rule 606 of Regulation NMS. ([FINRA Case #2013035830201](#))

Wedbush Securities Inc. (CRD #877, Los Angeles, California) submitted an Offer of Settlement in which the firm was censured and fined a total of \$1,800,000, of which \$100,002 is due to FINRA. Without admitting or denying the allegations, the firm consented to the sanctions and to the entry of findings that without dedicating sufficient resources to ensure appropriate regulatory risk management controls and supervisory systems and procedures, the firm, through employees and management of its correspondent services division, enabled its market access customers to flood exchanges with thousands of potentially manipulative wash trades, and other potentially manipulative trading activity, such as layering and spoofing. The findings stated that the firm reaped millions of dollars from its market access business. The firm’s supervisory systems and procedures governing market access were deficient in that the firm did not conduct adequate reviews for potentially manipulative trading activity, did not subject to appropriate review accounts that posed heightened risk, including when an account’s trading was the subject of multiple regulatory inquiries, allocated insufficient resources and unqualified personnel to monitor its market access business and ensure compliance with applicable securities laws, rules and regulations, and delegated compliance reviews to personnel to monitor transactions for accounts when their compensation was directly tied to the level of trading activity in the accounts. Despite numerous red flags that should have alerted the firm to the types of potential manipulation by its market access customers, its WSPs continued to lack reasonable or any procedures and reviews for various types of price manipulation, including layering, spoofing, pre-arranged trading, auto-execution, excessive order entry and marking-the-close, and contained fundamental flaws with respect to established

reviews. The firm failed to establish, maintain and enforce WSPs reasonably designed to supervise the types of business in which it was engaged and to supervise the activities of registered representatives, registered principals and other associated persons that were reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules, including Securities Exchange Act of 1934 Rule 15c3-5. The findings also stated that the firm failed to develop and implement AML policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations promulgated thereunder as they relate to the firm's market access business. The firm's AML policies and procedures were not adequately tailored to its market access business and could not reasonably be expected to detect and cause the reporting of suspicious transactions by its market access business customers. The firm's failure to investigate numerous red flags of potentially suspicious activity related to its market access business and clients was at least partly the result of the firm's failure to adopt clear lines of responsibility for AML compliance regarding the market access business. The findings also included that the firm failed to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to systematically manage the regulatory and other risks of providing market access. As a result, the firm willfully violated Section 15(c)(3) of the Securities Exchange Act of 1934 and Rule 15c3-5. FINRA found that the firm created incentives that rewarded compliance personnel with monthly compensation based on market access customers' trading volume, for which they had responsibility to oversee, and failed to monitor and detect thousands of instances of potentially manipulative trading by recidivist customers, despite repeated red flags. The firm created the appearance of a disincentive for its employees to conduct rigorous and effective monitoring and curtail potential violative activity. ([FINRA Case #2009020634401](#))

Wesbanco Securities, Inc. (CRD #43276, St. Clairsville, Ohio) submitted an AWC in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish a reasonable supervisory system to review electronic correspondence. The findings stated that the firm failed to conduct a manual review of some of its email involving its registered representatives. The firm failed to manually review a batch of emails that had been randomly selected and failed to manually review the "key word" and "randomly selected" email batches from the firm's computerized surveillance system. The firm also failed to manually review both the "key word" and "randomly selected" batches of emails of its CCO. The findings also stated that the firm failed to timely report statistical and summary information regarding written customer complaints. The findings also included that the firm failed to have an adequate supervisory system and WSPs in place to ensure that the firm's registered representatives accurately disclosed certain charges relating to variable annuity exchanges in the firm's investment exchange acknowledgement forms. The firm's WSPs failed to describe how the designated supervising principal would verify that

charges associated with each variable annuity transaction, as recorded on the investment exchange acknowledgement forms by its representatives, were accurately disclosed to the customer. Nor did the firm's WSPs provide supervisors with any guidance or tools to help them in deciding how to conduct their reviews. As a result, the firm failed to detect that one of its registered representatives prepared investment exchange acknowledgement forms that misstated the fees associated with variable annuity transactions. Virtually all of the forms disclosed fees that were higher than the actual amounts charged. ([FINRA Case #2014039231202](#))

WFG Investments, Inc. (CRD #22704, Dallas, Texas) submitted an AWC in which the firm was censured, fined \$42,500, required to revise its WSPs, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which was not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customer that the municipal securities transaction was in an amount below the minimum denomination of the issue. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denominations as stated on relevant offering statements. The findings also included that the firm failed to designate a properly licensed and registered municipal securities principal to oversee the firm's municipal securities activities. ([FINRA Case #2014042598101](#))

Zions Direct, Inc. (CRD #17776, Salt Lake City, Utah) submitted an AWC in which the firm was censured, fined \$42,500, required to revise its WSPs, and required to offer rescission to the customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which was not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts below the minimum denomination of the issue. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and MSRB rules concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denomination as stated on relevant offering statements. ([FINRA Case #2014041321301](#))

Individuals Barred or Suspended

Barry David Abrams ([CRD #488](#), Marlton, New Jersey) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Abrams consented to the sanctions and to the entry of findings that he effected discretionary transactions in a customer's account without obtaining prior written authorization from the customer and without his member firm having accepted the account as discretionary in writing.

The suspension was in effect from January 4, 2016, through January 25, 2016. ([FINRA Case #2013039371801](#))

Deborah Anne Ames ([CRD #5083580](#), Mansfield, Ohio) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ames consented to the sanction and to the entry of findings that she refused to provide FINRA with documents and information during the course of an investigation into allegations that she paid the premiums of customers of her member firm's affiliate life insurance company in order to receive unwarranted incentive compensation. ([FINRA Case #2015045798201](#))

Martin David Douglas Andrews ([CRD #2737570](#), Singapore, Singapore) submitted an AWC in which he was assessed a deferred fine of \$60,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the findings, Andrews consented to the sanctions and to the entry of findings that high-risk internote bonds (CIT bonds) were moved into Andrews' personal account, with his permission, at non-bona fide prices and with an arrangement to sell the bonds back to his member firm to address the firm's net capital deficiency and to prevent additional net capital deficiencies. The findings stated that by permitting this conduct to occur through his personal accounts, Andrews caused a violation of SEC Rule 15c3-1. Andrews was one of three executives at his firm responsible for the net capital requirements of the trading activity of the executives and their employees (the trading unit). The trading unit established a substantial position in specific CIT bonds by purchasing lists of bonds. The firm did not maintain a sufficient capital cushion to permit the purchase by the trading unit of these CIT bonds and the concomitant applicable haircut required by the bonds. The executives, including Andrews, agreed to move these bonds in three equal allotments into their personal accounts to avoid any further net capital deficiency by the firm. An executive moved CIT bonds into their three personal accounts in three equal amounts. These trades were executed at prices that were non-bona fide as the bonds were moved into the personal accounts at the prices at which the firm originally purchased the bonds. The executive who moved the bonds did not re-calculate the prices for the bonds to reflect current market prices. Andrews was not the executive who executed the CIT bond trades, and was not informed by the executive of the prices at which the bonds were moved into his personal account, nor was he informed of other trade details at the time the bonds were

moved into his personal account. The movement of the bonds into the executives' personal accounts eliminated the net capital deficiency. The executives agreed to hold the securities for a period of time before re-selling the securities back to the firm and, ultimately, to the firm's customers. The findings also stated that Andrews was responsible for reviewing the account statements of a member of the trading unit, specifically the head trader. These reviews did not identify trading activity that violated NASD Rule 2320.

The suspension is in effect from December 21, 2015, through August 20, 2016. ([FINRA Case #2010022603002](#))

William Walton Brown (CRD #33188, Encino, California) submitted an AWC in which he was fined \$10,000, suspended from association with any FINRA member in any capacity for 15 business days and required to pay \$1,473.88, plus prejudgment interest, in restitution to a customer. Without admitting or denying the findings, Brown consented to the sanctions and to the entry of findings that he executed discretionary transactions in a customer's account without having obtained prior written authorization from the customer and without prior written acceptance of the account as discretionary. The findings stated that Brown improperly recorded the trade tickets as unsolicited when, in fact, such trades were solicited, thereby causing his member firm's books and records to be inaccurate.

The suspension was in effect from January 19, 2016 through February 8, 2016. ([FINRA Case #2014041321701](#))

Carl Wayne Busch (CRD #36837, Oklahoma City, Oklahoma) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 45 days. Without admitting or denying the findings, Busch consented to the sanctions and to the entry of findings that he failed to adequately supervise the sales practices of a registered representative of his member firm who recommended and engaged in unsuitable trading in the Individual Retirement Account (IRA) of a retired customer, and exercised discretion without having obtained prior written authorization in customer accounts. The findings stated that Busch failed to establish and maintain a supervisory system designed to ensure that transactions executed in the firm's customer accounts were suitable. Busch failed to detect the representative's unsuitable purchases of high-risk securities or his use of discretion without written authorization. Busch failed to properly investigate red flags when he was on notice that the representative was engaging in sales practice violations to the detriment of his customers. Despite the red flags, Busch failed to take adequate steps to supervise the representative's sales activities. Rather than reaching out to customers directly to discuss their accounts with them, Busch instead sent out activity letters that did not require a response from customers. Busch asked the representative whether he was exercising discretion without written authorization, but did not verify this denial by reviewing phone records or contacting customers. Busch also failed to ensure that the representative's customers were being charged a limited commission as he had been directed to do by his supervisor.

The suspension is in effect from January 19, 2016, through March 3, 2016. ([FINRA Case #2013038710502](#))

Chris Calia ([CRD #4807042](#), Lake Worth, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Calia consented to the sanction and to the entry of findings that he failed to appear and provide complete testimony to FINRA on numerous occasions during the course of an ongoing investigation into allegations that Calia created records that resulted in him receiving incentive compensation to which he was not entitled. ([FINRA Case #2013038224201](#))

Glenn Nicholas Caruso ([CRD #500224](#), East Meadow, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Caruso consented to the sanction and to the entry of findings that he failed to appear and provide FINRA with requested testimony regarding certain municipal bond trading activity engaged in by Caruso at his former member firm. ([FINRA Case #2015046396401](#))

Larry Michael Crabtree ([CRD #2479599](#), Edmond, Oklahoma) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for six months. In light of Crabtree's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Crabtree consented to the sanction and to the entry of findings that he engaged in unsuitable trading in the IRA of a customer and improperly exercised discretion in that account without written authorization to do so. The findings stated that Crabtree incorrectly stated the customer's income and net worth on the new account form. Crabtree's failure to accurately record his customer's financial information on the form caused his member firm to maintain inaccurate books and records. Crabtree used discretion to make unsuitable purchases of securities on the customer's behalf, one of which resulted in a substantial loss. Each of the investments, which collectively constituted nearly one-half of the investable assets in the customer's account, carried level of risk that was unsuitable for a retired individual with known health problems, limited income and limited liquid assets. Each investment was also inconsistent with the customer's moderate risk tolerance. The findings also stated that Crabtree exercised discretion in the accounts of customers. Crabtree received prior verbal authorization from these customers to make purchases and sales, but did not obtain prior written authorization or the firm's acceptance of the accounts as discretionary. Crabtree falsely denied using discretion on his annual compliance questionnaires. The findings also included that Crabtree provided a customer with projections that did not include risk disclosures or other return options. These documents failed to provide a sound basis for the predictions, were unwarranted and misleading because they did not disclose downside risk, made inappropriate projections and failed to disclose the firm's name. Crabtree also provided consolidated statements to customers. These consolidated statements did not comply with the guidance set forth in *FINRA Regulatory Notice 10-19*, did not disclose his firm's name, and did not have principal approval before being disseminated to the customers.

The suspension is in effect from January 19, 2016, through July 18, 2016. ([FINRA Case #2013038710501](#))

Jacob Daniel Dunlap (CRD #2898330, Naperville, Illinois) submitted an AWC in which he was fined \$15,000, suspended from association with any FINRA member in any capacity for 10 business days, suspended from association with any FINRA member in any principal capacity for one month, and required to cooperate with FINRA in its continuing investigation of FINRA matter number 20120332912. Without admitting or denying the findings, Dunlap consented to the sanctions and to the entry of findings that he did not investigate various red flags evidencing that a representative, as the member firm's branch manager, was not reasonably supervising the activities of another registered representative and was failing to enforce applicable firm written policies and procedures. The findings stated that Dunlap failed to reasonably supervise the branch manager's performance of his responsibilities as a branch manager, as well as the branch manager's disclosure of his personal investment in a biopharmaceutical company. Despite having been presented with certain red flags associated with the registered representative's activities, Dunlap never inquired as to whether the branch manager ensured that this registered representative was participating in private securities transactions in a manner that complied with the applicable rule, as well as the firm's written policies and procedures. Moreover, Dunlap did not take any steps to ensure that the branch manager provided the firm with prior written notice of the branch manager's personal private securities investment. Dunlap's knowledge of the registered representative's activities related to the pharmaceutical company should have prompted Dunlap to question whether the branch manager was reasonably supervising the registered representative's participation in private securities transactions and was enforcing applicable firm written policies and procedures. Instead, Dunlap did not take any affirmative steps to detect and prevent the branch manager's failure to enforce the firm's written policies and procedures concerning participation in private securities transactions and use of personal email accounts for business-related communications. The findings also stated that Dunlap personally invested \$20,000 in the private offering without first providing written notice to his firm.

The suspension in any capacity was in effect from January 19, 2016, through February 1, 2016. The suspension in any principal capacity is in effect from February 2, 2016, through March 1, 2016. ([FINRA Case #2012033291203](#))

Rick Esparza (CRD #2715553, Rancho Murieta, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Esparza consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of its investigation into allegations that he accepted a \$67,500 loan from his member firm's customers. ([FINRA Case #2015046919801](#))

Paul Anthony Fabio ([CRD #5668061](#), Middle Village, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Fabio consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of its investigation into allegations that he misappropriated \$65,000 from a retail bank customer's account. ([FINRA Case #2015046446302](#))

Scott Jonathan Freeze ([CRD #2518935](#), Holland, Pennsylvania) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Freeze consented to the sanctions and to the entry of findings that he failed to disclose to his member firm the remuneration that a company he owned received under payment for order flow (PFOF) agreements. The findings stated that the company, through Freeze, improperly entered into agreements with broker-dealers to pay compensation to the company for the routing of customer orders for execution. Freeze did not inform or obtain his firm's approval to enter into the PFOF agreements. The firm was entitled to, and received, a portion of those funds through a written agreement between the firm and the company. At least three broker-dealers made payments of approximately \$1,061,448 to the company pursuant to the PFOF agreements. The findings also stated that while Freeze disclosed and received approval from the firm for his company to operate as an outside business activity, Freeze exceeded the scope of the disclosed and approved outside business activity by causing the company to engage in business activities with other broker-dealers and receive compensation totaling \$1,061,448. Of the \$1,061,448 received by the company, Freeze and the company were entitled to \$796,086 and the firm was entitled to and later scheduled to receive the remaining \$265,362. The findings also included that Freeze caused the firm to make and preserve inaccurate financial books and records, and to file inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports by failing to inform the firm of the company's receipt of payments under the PFOF agreements.

The suspension is in effect from January 19, 2016, through April 18, 2016. ([FINRA Case #2013035632801](#))

Paul Dean Garnett ([CRD #815379](#), Beatrice, Nebraska) submitted an AWC in which he was assessed a deferred fine of \$40,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Garnett consented to the sanctions and to the entry of findings that he participated in an undisclosed private securities transaction away from his member firm by organizing a private placement for an entity that was formed to acquire an interest in a helicopter medical evacuation business. The findings stated that Garnett participated in the transaction by seeking investors, including the firm's customers, to pool their assets with other investors to purchase an interest in the business, coordinating the investor group's activities, and negotiating with the business. Garnett also participated in the transaction by preparing agendas for investor meetings, and following up with investors to make

sure that they had signed the subscription agreements and wired their funds. The private placement entity later issued \$2.5 million in securities to investors, including Garnett. In addition, Garnett invested a total of \$140,000 in two other private securities offerings. Garnett failed to provide written notice to his firm prior to participating in the transactions. The findings also stated that Garnett acted as statutory manager of the private placement entity, conducted its business, executed contracts on behalf of it, and presided over an initial member meeting. Garrett failed to provide prior written notice to his firm of his participation in this outside business activity.

The suspension is in effect from December 21, 2015, through December 20, 2016. ([FINRA Case #2013037631501](#))

Efstathios Paris Georgoudis (CRD #5934696, New York, New York) submitted an AWC in which he was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Georgoudis consented to the sanctions and to the entry of findings that he intentionally input information that was different from that recorded for the original booking of hundreds of electronically traded foreign currency exchange transactions at his member firm. The findings stated that Georgoudis was responsible for entering foreign exchange currency transaction information into an internal firm system. The firm used this system to track sales revenue and related trading profits and losses for foreign currency transactions. When entering information into this system, Georgoudis was expected to accurately transfer information from the trading platform that the firm used to originally book the transactions. As a result of entering inaccurate information, Georgoudis inflated the amount of sales revenue on the transactions for which he entered inaccurate information. Georgoudis' entry of inaccurate information did not have any effect on the firm's customers, nor did it have a material impact on the firm's overall profit-and-loss statement.

The suspension is in effect from January 19, 2016 through April 18, 2016. ([FINRA Case #2014041416901](#))

Lance Joseph Gilden (CRD #2452467, Bardonia, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Gilden consented to the sanctions and to the entry of findings that he falsified customer forms, including withdrawal and disclosure forms that he submitted on behalf of certain customers of his member firm, by either signing the customer's name to the form or placing the customer's initials on the form. The findings stated that all of the customers affected requested the underlying transactions. However, with the exception of one customer, the falsifications were undertaken by Gilden without the customers' knowledge and approval. The firm maintained written procedures that prohibited representatives from affixing a non-genuine signature or initials on any documentation.

The suspension is in effect from January 4, 2016, through April 3, 2016. ([FINRA Case #2014042360901](#))

Neal Ira Goldman (CRD #224358, New York, New York) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any principal capacity for 45 days. Without admitting or denying the findings, Goldman consented to the sanctions and to the entry of findings that he failed to prepare supervisory control reports and adequate CEO certifications for his member firm. The findings stated that Goldman's firm failed to complete FINRA Rule 3130 reports and failed to adequately complete Rule 3130 certifications. The firm also failed to prepare adequate NASD Rule 3012 reports. The reports failed to detail the firm's system of supervisory controls, the summary of test results and identified exceptions, or any additional or amended supervisory procedures created in response to the test results.

The suspension is in effect from January 4, 2016, through February 17, 2016. ([FINRA Case #2012030416901](#))

Craig Michael Gould (CRD #2367293, Jersey City, New Jersey) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Gould consented to the sanctions and to the entry of findings that he failed to timely report a judgment of approximately \$25,577 on his Uniform Application for Securities Industry Registration or Transfer (Form U4).

The suspension was in effect from January 25, 2016, through February 5, 2016. ([FINRA Case #2014041530301](#))

Geoffrey Alan Hammell (CRD #1355371, Green Brook, New Jersey) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Hammell consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose federal and state tax liens that had been filed against him.

The suspension is in effect from December 21, 2015, through June 20, 2016. ([FINRA Case #2013035134701](#))

Lori A. Hermanson (CRD #5831465, Denver, Colorado) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hermanson consented to the sanction and to the entry of findings that, without providing prior written notice to her member firm, she acted as treasurer of a non-profit foundation. The findings stated that Hermanson converted funds belonging to the non-profit foundation by issuing checks totaling approximately \$20,000, making cash withdrawals totaling approximately \$6,000 from the foundation's checking account, and using the funds for personal expenses without permission. ([FINRA Case #2015047979601](#))

Aenny Jiang-Lee (CRD #2263523, Cliffside Park, New Jersey) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Jiang-Lee consented to the sanctions and to the entry of findings that she was in possession of unauthorized test-related material while taking a restroom break during her Series 66 licensing examination.

The suspension is in effect from December 7, 2015, through June 6, 2017. ([FINRA Case #2015044816501](#))

John Charles Kautter II (CRD #4572852, Rockville, Maryland) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for two months. In light of Kautter's financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, Kautter consented to the sanction and to the entry of findings that he improperly facilitated a \$36,000 loan to a registered representative by the representative's elderly customer. The findings stated that Kautter, an experienced registered representative, knew or should have known that it was improper for a registered representative to accept money from a customer. Kautter permitted the pass-through of funds from a securities customer to the representative away from the representative's member firm, and did not take reasonable steps to ascertain the reason or pertinent facts relating to the transaction. Kautter accepted the elderly customer's funds in his personal bank account and transferred the funds to the representative's personal bank account. Kautter facilitated the unapproved loan transaction and ignored warning signs that the transaction may be improper.

The suspension was in effect from December 7, 2015, through February 6, 2016. ([FINRA Case #2012032922102](#))

Michael Kheriaty (CRD #1485422, Bothell, Washington) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for six months. In light of Kheriaty's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Kheriaty consented to the sanction and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose a federal tax lien and a bankruptcy proceeding.

The suspension is in effect from December 7, 2015 through June 6, 2016. ([FINRA Case #2013039564501](#))

Ellen Tracy King (CRD #6423921, Inverness, Florida) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, King consented to the sanction and to the entry of findings that she failed to fully respond to FINRA requests for documents and information regarding an investigation into allegations that while associated with a member firm, she robbed a bank in Florida. ([FINRA Case #2015046545901](#))

Douglas Charles Lamb (CRD #2550574, Shaker Heights, Ohio) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Lamb consented to the sanctions and to the entry of findings that he recommended and caused to be executed purchase transactions of non-traditional ETFs in securities accounts of his customers, a married couple with limited investment experience and sophistication, without performing reasonable diligence to understand the nature and features of the ETFs, including the risks associated with the daily reset of the securities. The findings stated that the recommendations by Lamb to purchase the ETFs lacked a reasonable basis and were unsuitable. The findings also stated that Lamb recommended the non-traditional ETFs without having reasonable grounds for believing that the securities were suitable for the customers in view of their financial situation, investment objectives and needs. The accounts were almost fully invested in non-traditional ETFs, and Lamb also used margin to purchase the non-traditional ETFs. Lamb's member firm paid restitution to the customers and made them whole.

The suspension is in effect from January 4, 2016, through March 3, 2016. ([FINRA Case #2010021971101](#))

Charles Acheson Laverty (CRD #4875386, Newport Beach, California) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Laverty consented to the sanctions and to the entry of findings that he borrowed a total of \$1,205,000 from two married couples who were his customers, and accepted two other loans, totaling \$32,500, from a third customer, when both of his member firms' written policies prohibited such customer loans. The findings stated that Laverty did not notify the firms of, or obtain their advance approval for, any of the loans. Although Laverty has repaid the loans from the third customer, he has not fully repaid the loans from the married couples, despite repeated promises to do so. The firms learned of the loans after an arbitration claim was filed. One of the firms learned of the loans from the third customer when he contacted it regarding one of his investments. The findings also stated that Laverty denied that he had borrowed from customers in annual questionnaires he completed for both firms. Laverty falsely claimed on the annual certifications to one firm that he had kept information on his Form U4 current. The findings also included that Laverty willfully failed to timely amend his Form U4 to report two unsatisfied judgments which he has since satisfied.

The suspension is in effect from December 21, 2015, through June 20, 2017. ([FINRA Case #2014039763101](#))

John Michael Leone (CRD #6032349, Swedesboro, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Leone consented to the sanction and to the entry of findings that

he attempted to convert his member firm's customer's funds for his own use and benefit by initiating an unauthorized transfer of \$4,500 from the customer's account to his personal firm account, without the customer's knowledge or authorization. The findings stated that Leone used his login credentials to remotely access the firm's systems for purposes of initiating the unauthorized transfer of funds from the customer's account to his personal firm account. As part of processing the transfer request, Leone falsely specified in the firm's systems that the customer provided him with verbal instructions to effect the transfer. After Leone submitted the transfer request, the firm's automated system indicated that the request required review and approval by firm personnel because the social security number linked to the customer's account and Leone's account differed. As a result, Leone cancelled the transfer request. The transfer request was never processed by the firm and no funds were ever dispersed from the customer's account. ([FINRA Case #2015045761101](#))

David Lowenthal ([CRD #1609263](#), Frisco, Texas) submitted an AWC in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for 10 business days and required to cooperate with FINRA in its continuing investigation of FINRA matter number 20120332912. Without admitting or denying the findings, Lowenthal consented to the sanctions and to the entry of findings that contrary to his member firm's policies and procedures, he personally invested \$10,000 in a biopharmaceutical company's private offering, acquiring shares of the company's preferred stock, without providing prior written notice to, or receiving approval from, the firm.

The suspension in any capacity was in effect from January 19, 2016, through February 1, 2016. ([FINRA Case #2012033291202](#))

Betsy Bratton Marcom ([CRD #1338591](#), Georgetown, Texas) submitted an AWC in which she was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Marcom consented to the sanctions and to the entry of findings that she made unsuitable investment recommendations to her client, a non-profit parish church. The findings stated that Marcom, who was a member of the church's finance council, recommended that it invest almost its entire portfolio in non-investment grade corporate bonds, which resulted in the church having an unsuitable concentration in such bonds. These recommendations were inconsistent with the church's investment objectives, financial satiation and risk tolerance. Marcom proposed to the finance committee that the church begin investing in non-investment grade bonds to generate a larger return in the account, and the finance council, relying on her expertise, accepted this recommendation. Ultimately, the church sustained approximately \$135,000 in realized losses as a result of its unsuitable holdings in non-investment grade bonds. The findings also stated that on at least four occasions, Marcom recommended that the church sell bonds within three months of maturity, which resulted in it receiving approximately \$3,661 less than it would have had if it held the bonds to maturity.

The suspension is in effect from January 4, 2016, through May 3, 2016. ([FINRA Case #2013037257201](#))

Rafael Luis Marte (CRD #4304158, Bronx, New York) submitted an AWC in which he was fined \$15,000, suspended from association with any FINRA member in a Financial and Operations Principal (FINOP) capacity for 20 business days and required to requalify as a FINOP by passing the required examination following the suspension, prior to acting in such capacity with any FINRA member or registering with any FINRA member in such capacity. Without admitting or denying the findings, Marte consented to the sanctions and to the entry of findings that he failed to detect an inaccurate entry in his member firm's general ledger. The findings stated that as a result, Marte failed to accurately compute the firm's net capital and permitted it to conduct a securities business while maintaining less than its regulatory minimum net capital requirement. Marte filed inaccurate monthly FOCUS reports on behalf of the firm that overstated its capital and filed a quarterly FOCUS report that understated the firm's expenses.

The suspension was in effect from January 4, 2016, through February 1, 2016. ([FINRA Case #2013037747601](#))

John Scott Matthews (CRD #2082907, Roslyn, New York) submitted an AWC in which he was assessed a deferred fine of \$25,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Matthews consented to the sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, or obtaining prior written approval from, his member firm. The findings stated that in his capacity as the CEO of his firm's parent company, Matthews sold approximately \$1.8 million in convertible promissory notes issued by the parent company, away from his firm to investors, some of whom were customers of the firm. Matthews sold the promissory notes through the parent company, not the firm. Matthews received expense reimbursements from the parent company in connection with his promissory note sales, and some of his compensation was paid with the proceeds of the sales. Matthews discussed his efforts to sell the promissory notes with his supervisor, but failed to request or receive approval in writing from his firm prior to participating in the transactions. Matthews sold the convertible promissory notes to investors in an unregistered offering without disclosing in an offering document the intended use of proceeds, the selling compensation he would receive and the offering expenses. Some of the investors were not qualified purchasers as defined in the Investment Company Act of 1940, and the sales were not exempt from the requirements of FINRA Rule 5122. Neither Matthews nor the firm filed any offering documents related to the sales with FINRA. The findings also stated that Matthews willfully failed to disclose an unsatisfied \$35,590 federal tax lien filed against him on his Form U4.

The suspension is in effect from December 7, 2015, through June 6, 2016. ([FINRA Case #2013037235102](#))

John Joseph Meo Jr. (CRD #1415094, Naples, Florida) and Katherine Anne Praydick-Meo (CRD #1866321, Naples, Florida) submitted an AWC in which Meo was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Praydick-Meo was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Meo and Praydick-Meo consented to the sanctions and to the entry of findings that they falsified documents related to customer accounts for the convenience of the customers. The findings stated that Meo and Praydick-Meo acquired pre-signed forms from customers that were otherwise blank, obtained and maintained blank forms that had been signed by customers so as to process subsequent customer transactions in multiple customer accounts, and re-used photocopies of signatures page from previously used forms. Meo and Praydick-Meo either submitted the falsified forms as authentic to their member firm for processing or maintained the forms in customer files. Meo and Praydick-Meo falsified the documents to expedite transactions for customers, but the firm's compliance manual and WSPs prohibited altering documents in the manners employed by them.

Meo's suspension is in effect from January 4, 2016, through April 3, 2016. Praydick-Meo's suspension will be in effect from April 4, 2016, through June 3, 2016. ([FINRA Case #2013037987101](#))

Jason R. Middeke (CRD #5138059, Lake Mary, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Middeke consented to the sanction and to the entry of findings that he failed to provide FINRA with requested documents and information during the course of its investigation into allegations that he submitted falsified travel and expense reports to his member firm. ([FINRA Case #2015046496501](#))

William David Nelson (CRD #2734324, South Ozone Park, New York) submitted an AWC in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Nelson consented to the sanctions and to the entry of findings that he failed to timely disclose on his Form U4 that he had an outstanding New York State Tax Warrant in the amount of \$30,692.93.

The suspension was in effect from January 4, 2016, through February 1, 2016. ([FINRA Case #2014040348001](#))

Andrew Lyman Quinn (CRD #2453320, Reno, Nevada) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Quinn, while associated with member firms, borrowed funds from a non-family member when the firms had written procedures prohibiting such borrowing and neither firm approved the loans. The findings stated that Quinn borrowed a significant amount of funds from an elderly widow with limited resources and defaulted on those loans. Quinn submitted a false annual compliance certification denying that he had borrowed any funds from his customers which prevented one firm from properly overseeing his compliance and

identifying his mistreatment of the elderly customer from whom he borrowed the money. The findings also stated that Quinn failed to respond to FINRA's requests for information and documents in connection with an investigation about Quinn's loans from the customer. ([FINRA Case #2013038136101](#))

Yvonne Persaud (CRD #4256810, Hollis, New York) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Persaud consented to the sanction and to the entry of findings that she made cash deposits ranging from \$400 to \$9,100 and totaling \$28,500 into a personal bank account that she maintained at a bank, an affiliate of her member firm, in order to avoid the filing of a Currency Transaction Report, a federal reporting requirement. The findings stated that Persaud deposited the money in cash increments of \$9,100 or less in order to avoid federal reporting requirements. Persaud's structured deposits also violated her firm's policies. ([FINRA Case #2015045227301](#))

Nahuel S. Rodriguez (CRD #5633905, East Elmhurst, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Rodriguez converted approximately \$26,144 in assets owned by individuals, three of them customers of his member firm, by engaging in securities fraud. The findings stated that Rodriguez willfully misrepresented and omitted material facts in connection with the sale of securities. Rodriguez falsely told the customers that he would invest their funds in accounts at his firm. Instead, after obtaining their funds, he converted them to his own use. As a result of his conduct, Rodriguez violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and FINRA Rule 2020. Rodriguez convinced one of the customers to liquidate her IRA by falsely telling her that he would transfer the money to a new account that would produce greater returns. Rodriguez never intended to use his customer's money as he stated to her. Rodriguez also impersonated one of the customers when he directed his firm to liquidate the customer's joint account at the firm. Once the firm transferred the funds, he told the joint account customers that the firm mistakenly had wired money from his account into theirs. Through this misrepresentation Rodriguez was able to get the customers to turn the money over to him. Rodriguez also lied to two of the customers to obtain funds from them that he converted to his own use. In each instance, Rodriguez enriched himself and harmed his customers. ([FINRA Case #2013037144301](#))

William Roldan (CRD #5775202, Clifton, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Roldan consented to the sanction and to the entry of findings that he converted over \$26,000 from bank customers for his personal use. The findings stated that Roldan converted the funds by making unauthorized ATM withdrawals from the customers' bank accounts. ([FINRA Case #2015048317401](#))

Ernest Julius Romer III ([CRD #2311741](#), Shelby Township, Michigan) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Romer consented to the sanctions and to the entry of findings that he failed to disclose on his Forms U4 with multiple member firms the existence of a federal tax levy and state tax liens filed against him.

The suspension is in effect from January 19, 2016, through February 18, 2016. ([FINRA Case #2015044603501](#))

Paul John Savage ([CRD #1722830](#), Coto De Caza, California) submitted an AWC in which he was assessed a deferred fine of \$10,000, suspended from association with any FINRA member in any capacity for six months, suspended from association with any FINRA member in any principal capacity for 15 months and required to requalify by examination as a General Securities Principal by passing the Series 24 examination prior to re-association with any member firm in that capacity following the principal suspension. Without admitting or denying the findings, Savage consented to the sanctions and to the entry of findings that he failed to carry out his duties in each of the supervisory roles he held with his member firm. The findings stated that despite a duty to do so, Savage, as the Office of Supervisory Jurisdiction (OSJ) supervisor for the firm's Florida branch office, failed to ensure compliance with the firm's AML program to cause the detection and reporting of suspicious transactions and failed to otherwise adequately supervise the branch. Savage failed to appropriately monitor, or cause anyone else to appropriately monitor, the trading in accounts held at the branch. As a result, Savage failed to identify numerous red flags indicative of potentially manipulative trading occurring at the branch. In addition, when Savage became aware of red flags in his own customers' accounts, he failed to properly investigate or address the issues. Savage opened 300 related accounts for various Vietnamese citizens and failed to detect potentially suspicious trading in the accounts or conduct necessary due diligence regarding that trading. The findings also stated that the Florida branch office focused almost exclusively on trading penny stocks as a market maker for both the firm's proprietary trading accounts and for its retail customers. By focusing on penny stock trading, the Florida branch dealt in a segment of the market susceptible to fraudulent activity and Savage did not mitigate the associated risks. The findings also included that Savage did not ensure regular or sufficient monitoring of the branch's trading activity and reports, electronic correspondence, or customer account applications for both suspicious activity monitoring purposes and in his separate role as an OSJ supervisor. Despite the risks with retail trading and market making in penny stocks, Savage failed to implement or enforce the firm's supervisory procedures concerning the Florida branch office. Savage failed to appropriately inquire, understand or otherwise memorialize how supervisory responsibilities assigned to the registered principals in the Florida branch office were being performed, failed to review or ensure the designated principal reviewed

electronic communications sent or received by registered persons working in the Florida branch office, and failed to implement or enforce the firm's procedure requiring that instant message communications be captured and retained. As a result, the Florida branch office had no system to ensure that instant messages were retained or surveilled. Savage also failed to perform due diligence when approving retail account applications submitted by the Florida branch office. As a result, Savage approved new accounts for individuals with criminal and regulatory backgrounds who subsequently engaged in suspicious trading.

The suspension in any capacity is in effect from January 4, 2016, through July 3, 2016. The suspension in any principal capacity will be in effect from July 4, 2016, through October 3, 2017. ([FINRA Case #2013036837802](#))

Geoffrey Schiffrin (CRD #4484721, Boca Raton, Florida) submitted an AWC in which he was assessed a deferred fine of \$10,000, suspended from association with any FINRA member in any capacity for six months, suspended from association with any FINRA member in any principal capacity for 12 months and required to requalify by examination as a General Securities Principal by passing the Series 24 examination prior to re-association with any member firm in that capacity following the principal suspension. Without admitting or denying the findings, Schiffrin consented to the sanctions and to the entry of findings that despite the risks posed by his member firm's business model, Schiffrin, a registered principal at a branch office, failed to detect and investigate numerous red flags indicative of potentially suspicious activity related to the retail trading activity of the branch office's customers, including his own. The findings stated that Schiffrin opened trading accounts for individuals he knew had engaged in suspicious and manipulative trading of a penny stock and assisted those customers in depositing additional shares of that same penny stock to liquidate. Schiffrin, at no time, conducted additional due diligence to assess the legitimacy of the transactions or escalated the matter to the firm's AMLCO as required by the firm's AML procedures. The findings also stated that Schiffrin failed to properly execute his supervisory responsibilities despite the substantial high-risk posed by trading and liquidation of penny stocks. Schiffrin failed to adequately review trade activity and reports, thereby failing to identify or respond to numerous red flags indicating potentially suspicious trading was occurring at the branch office. Schiffrin also failed to perform sufficient due diligence in connection with opening new accounts and in response to potentially suspicious activity in customer accounts. As a result, Schiffrin approved new account applications for, and facilitated suspicious trading for, individuals with criminal and regulatory backgrounds. The findings also included that Schiffrin falsified documents by altering information on certain forms after customers had signed them and by obtaining signed but otherwise blank forms that he later completed and submitted to his firm for processing and/or to the firm's clearing firm, causing the firm to have inaccurate books and records.

The suspension in any capacity is in effect from January 4, 2016, through July 3, 2016. The suspension in any principal capacity will be in effect from July 4, 2016, through July 3, 2017. ([FINRA Case #2013036837804](#))

Samuel Wylie Sloane ([CRD #2318085](#), Abilene, Texas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sloane consented to the sanction and to the entry of findings that he refused to provide FINRA with requested documents and information during the course of its investigation into allegations that he converted a customer's trust assets while serving as a trustee. ([FINRA Case #2015047897901](#))

Micheal Stupar ([CRD #4844349](#), Elkridge, Maryland) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Stupar consented to the sanctions and to the entry of findings that he made, and caused to be made, inaccurate entries in his member firm and its affiliated bank's recordkeeping systems, resulting in his improper receipt of incentive compensation. The findings stated that Stupar entered false information in the firm's communications management system knowing that such false entries violated the firm's policies and that the credit he earned for the purported customer contact factored into the calculation of his incentive compensation. Stupar made entries regarding in-person conversations, meetings, telephone conversations and appointments with existing and potential firm customers and the firm used these entries as factors in calculating Stupar's incentive compensation. By making false entries in this system, Stupar caused the firm to make and preserve inaccurate books and records.

The suspension was in effect from December 21, 2015, through January 19, 2016. ([FINRA Case #2013039618501](#))

Angelo Talebi ([CRD #2243829](#), Los Angeles, California) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Talebi consented to the sanctions and to the entry of findings that he did not advise his member firm that he had discretionary trading authority for a customer's account at another FINRA member firm prior to placing orders in the account. The findings stated that Talebi executed transactions in the customer's online account at the other firm using the customer's login credentials and password. Additionally, Talebi did not notify the other firm that he was associated with a FINRA member firm.

The suspension is in effect from January 4, 2016, through March 3, 2016. ([FINRA Case #2014042834201](#))

Adam R. Tau ([CRD #5650371](#), Brooklyn, New York) submitted an AWC in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for two months and required to pay a total of \$13,000, plus interest, in restitution to a customer. Without admitting or denying the findings, Tau consented to the sanctions and to the entry of findings that he made unsuitable recommendations to a customer that resulted in a concentrated stock position and losses in the customer's account. The findings stated that Tau's recommendation was unsuitable for the customer in view of the concentrated nature

of the investment and the customer's conservative investment profile, age and limited financial means. Tau exercised discretion in the customer's account by effecting trades of a company's stock without written authorization from the customer or acceptance of the account as discretionary by his member firm.

The suspension is in effect from January 4, 2016, through March 3, 2016. ([FINRA Case #2013038121201](#))

Edward Joseph Vierling Sr. (CRD #501279, Garden City, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vierling consented to the sanction and to the entry of findings that he failed to appear and provide FINRA with requested testimony regarding certain municipal bond trading activity engaged in by Vierling at his former member firm. ([FINRA Case #2015046393901](#))

Leslie M. Ward (CRD #6130814, Richardson, Texas) submitted an AWC in she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ward consented to the sanction and to the entry of findings that she told her member firm that she had taken and failed the Series 7 licensing examination, and created corresponding false score reports. The findings stated that Ward did not take the examination. ([FINRA Case #2015044534501](#))

William Henry Watson III (CRD #1016938, Newport Beach, California) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Watson consented to the sanctions and to the entry of findings that he participated in securities offerings with four different issuers in which he used, or permitted issuers to use, marketing presentations that were not fair and balanced, as they failed to discuss each of the issuers' poor financial performance and made misleading, unwarranted or unsupported statements. The findings stated that Watson sent these presentations to retail customers through email and used them on telephone conference calls with retail investors. Watson used, or permitted issuers to use, PowerPoint presentations that contained inadequate risk disclosures and failed to provide a balanced presentation of the risks and rewards of an investment. Certain of these marketing materials also failed to disclose Watson's member firm's name and involvement in the offering, namely, describing the relationship between the firm and the issuer.

The suspension was in effect from January 4, 2016, through January 15, 2016. ([FINRA Case #2013038091901](#))

Lester Perkins Wilmeth (CRD #705185, Indialantic, Florida) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Wilmeth consented to the sanctions and to the entry of findings that contrary

to his member firm's procedures, he borrowed \$2,000 from customers without obtaining the customers' written authorization and informing the firm of the loan or seeking its permission to borrow money from the customers. The findings stated that the firm's WSPs only allowed registered representatives to borrow funds from customers in limited situations and only after first obtaining written authorization from the customer and written approval from the firm.

The suspension was in effect from December 7, 2015, through January 5, 2016. ([FINRA Case #2013039529301](#))

John Davenport Wiswell (CRD #2313243, Jensen Beach, Florida) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 15 business days. Without admitting or denying the findings, Wiswell consented to the sanctions and to the entry of findings that he failed to reasonably supervise the activities of a registered representative to prevent unsuitable mutual fund switching. The findings stated that Wiswell failed to take reasonable steps to follow up on red flags and approved all of the registered representative's mutual fund switch transactions.

The suspension was in effect from January 19, 2016, through February 8, 2016. ([FINRA Case #2013039482701](#))

James S. Witter (CRD #2820174, West Hempstead, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for two months. Without admitting or denying the findings, Witter consented to the sanctions and to the entry of findings that he failed to reasonably supervise a registered representative that effected UIT transactions in customer accounts that presented numerous red flags. The findings stated that these activities were identified as potential compliance issues on his member firm's surveillance reports that were issued to Witter. However, Witter failed to reasonably supervise the registered representative to address these activities. Instead, Witter continued to approve the registered representative's securities trades without further inquiry. The firm instituted trading parameters to address the registered representative's activities, but Witter failed to effectively implement those measures.

The suspension is in effect from January 4, 2016, through March 3, 2016. ([FINRA Case #2012034450502](#))

Jose Angel Zapata Jr. (CRD #2892463, Houston, Texas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Zapata consented to the sanction and to the entry of findings that he made misrepresentations to a customer regarding her account balance. The findings stated that Zapata overstated the value of the customer's account in order to conceal investment losses that had been sustained and to induce her not to complain about those

losses. Because the customer had declined to have her account statements mailed to her home address in Mexico, due to security concerns, she would frequently call Zapata and ask him to provide her with her account balance. The customer had begun verbally expressing concerns to Zapata about the performance of her account, which had sustained investment losses. During one of these conversations, in order to prevent the customer from filing a complaint, Zapata intentionally lied to her, telling her that her account was worth approximately \$170,000, when it was actually worth only \$108,225. Over time, Zapata continued to falsely overstate the value of the customer's account by amounts ranging from \$15,000 to \$60,000 during telephone conversations. Zapata was also aware that the customer, relying on the artificially inflated account values, made at least two purchase decisions, including the purchase of a car and a condominium. ([FINRA Case #2014039998801](#))

Individuals Fined

Kevin John Hanney ([CRD #2331766](#), Ponte Vedra Beach, Florida) submitted an AWC in which he was fined \$5,000 and required to pay \$405, plus interest, in disgorgement. Without admitting or denying the findings, Hanney consented to the sanctions and to the entry of findings that he purchased shares of a company's stock during its initial public offering (IPO) in his fully disclosed personal account at another member firm. The findings stated that the company's stock opened at \$42.05 per share in the immediate aftermarket resulting in a \$405 imputed profit to Hanney. ([FINRA Case #2015046954301](#))

William Joseph McCloy ([CRD #5825654](#), New York, New York) submitted an AWC in which he was fined \$5,000 and required to pay \$125, plus interest, in disgorgement. Without admitting or denying the findings, McCloy consented to the sanctions and to the entry of findings that he purchased shares of a company's stock during its IPO in his fully disclosed personal account at another member firm. The findings stated that later that day, McCloy sold the shares of the company's stock for a profit of \$125. ([FINRA Case #2015046950301](#))

Jordan Michael McDonough ([CRD #5946463](#), New York, New York) submitted an AWC in which he was fined \$6,500. Without admitting or denying the findings, McDonough consented to the sanction and to the entry of findings that he failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy in such market so that the resultant price to his customer was as favorable as possible under prevailing market conditions, by causing a member firm customer order to be executed at an inferior price on one options market that could have been executed at a better price on another exchange. McDonough's firm made restitution to the customer in the amount of \$1,000. ([FINRA Case #2013036984101](#))

Thomas Marion Phillips II ([CRD #2289018](#), Powell, Ohio) submitted an AWC in which he was censured and fined \$10,000. Without admitting or denying the findings, Phillips consented to the sanctions and to the entry of findings that he misstated fees associated with variable annuity transactions on variable annuity switch forms, thereby causing his member firm's books and records to be inaccurate. The findings stated that in each of those transactions, Phillips misstated the fees associated with the variable annuity being replaced or acquired, or, in a few instances, both. For all but one of the variable annuities, the difference between the stated fees and the actual fees was less than 1 percent. ([FINRA Case #2014039231201](#))

Michael Jerome Quinn ([CRD #5740182](#), Media, Pennsylvania) submitted an AWC in which he was fined \$5,000 and required to pay \$975.08, plus interest, in disgorgement. Without admitting or denying the findings, Quinn consented to the sanctions and to the entry of findings that he purchased shares of two companies' stock during their IPO in his fully disclosed personal account at another member firm. The findings stated that Quinn sold the shares of one of the companies' stock for a profit of \$975.08, and sold the shares of the other company for a loss. ([FINRA Case #2015046949801](#))

Cecilia Marie Shea ([CRD #2765763](#), Redwood City, California) submitted an AWC in which she was censured and assessed a deferred fine of \$6,500. Without admitting or denying the findings, Shea consented to the sanctions and to the entry of findings that as her member firm's chief financial officer and FINOP, she permitted her firm to conduct a securities business while the firm was under its net capital requirement, caused the firm to maintain inaccurate books and records regarding its net capital, and filed inaccurate FOCUS reports on behalf of the firm. The findings stated that Shea was responsible for, among other things, calculating the firm's net capital, maintaining the accuracy of the firm's general ledger, trial balance, and balance sheet and filing the firm's FOCUS reports. Shea failed to accurately compute the firm's net capital by including a non-allowable asset in her net capital calculation. ([FINRA Case #2013034981701](#))

Gary Russell Sitzmann ([CRD #700501](#), Orinda, California) submitted an AWC in which he was fined \$5,000. Without admitting or denying the findings, Sitzmann consented to the sanctions and to the entry of findings that he purchased shares of a company's stock during its IPO in his fully disclosed personal account at another member firm. The findings stated that Sitzmann sold the shares of the company's stock at a loss. ([FINRA Case #2015046859901](#))

Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the National Adjudicatory Council (NAC) as of December 31, 2015. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA *Disciplinary and Other Actions*.

Thaddeus James North ([CRD #2100909](#), Brookfield, Connecticut) was censured, fined a total of \$40,000, suspended from association with any FINRA member in any principal capacity for 30 business days for failing to report a relationship with a statutorily disqualified person and suspended from association with any FINRA member in any principal capacity for two months for failing to adequately review electronic correspondence in willful violation of MSRB Rules G-17 and G-27(a) and (c). The suspensions will run consecutively. The sanctions were based on findings that while CCO at his member firm, North failed to report to FINRA that an associated person at his firm was involved in a variety of business activities with a statutorily disqualified person. The findings stated that North should have known of these relationships and should have followed up by seeking all relevant details of the associated persons' relationship with the company owned by the statutorily disqualified person. The findings also stated that North failed to establish, maintain and enforce a reasonable supervisory system regarding review of electronic correspondence. North failed to adequately review electronic correspondence in that he reviewed no Bloomberg communications and his email reviews were infrequent and insufficient. North's email review was also inadequate with respect to the associated person, in particular. Once North had learned of the associated person's business relationship with the statutorily disqualified individual, he should have conducted due diligence to learn the scope of it. This due diligence should have included conducting a heightened review of the associated person's electronic communications, given that he was the CCO and responsible under the WSPs for regulatory reporting and email review. North's failure to subject the associated person's electronic communications to a heightened review was unreasonable. As a result, North willfully violated MSRB Rules G-17 and G-27(a), (b), (c) and (e). The charge that North violated FINRA Rule 4530(a)(1)(H) was dismissed.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2010025087302](#))

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Caldwell International Securities Corporation ([CRD #104323](#), Fischer, Texas), Greg Allen Caldwell ([CRD #2816295](#), Austin, Texas), Alex Evan Etter ([CRD #2981742](#), Old Tappan, New Jersey), Alain J. Florestan ([CRD #2818942](#), Queens Village, New York), Lennie Simmons Freiman ([CRD #1007506](#), Fischer, Texas), Paul Joseph Jacobs ([CRD #4658235](#), Austin, Texas), Richard Andrew Lee ([CRD #2768039](#), West Nyack, New York), Lucas Dylan Lichtman ([CRD #5542092](#), Fort Lee, New Jersey) and Richard Lim ([CRD #4949289](#), Clark, New Jersey) were named respondents in a FINRA complaint alleging that the firm, by and through one or more of its registered representatives and principals, put profits before customers, growth before compliance and subterfuge before transparency. The complaint alleges that the firm's culture of non-compliance led to serious sales practice, supervisory and reporting violations at its home office and multiple branches. Etter, Florestan, Lee, Lichtman, and Lim made unsuitable recommendations of an active trading investment strategy to their customers despite the fact these representatives failed to understand the risks of the investment strategy being recommended, or the impact the staggering commissions and fees generated by this active trading investment strategy would have on their customers' accounts. These representatives had no reasonable basis to recommend such a strategy to their customers. As a result of the recommendation of an unsuitable active investment trading strategy, customer accounts suffered more than \$1.1 million in realized trading losses while paying over \$1 million in commissions and fees. The firm is liable for the unsuitable recommendations of an active trading investment strategy made by Etter, Florestan, Lee, Lichtman and Lim under the doctrine of respondeat superior because each representative was an agent of the firm acting within the scope of his duties when he engaged in this misconduct. The firm, acting by and through its formerly registered representatives, made unsuitable recommendations involving inverse and/or leveraged ETFs without a reasonable basis for believing these investments were suitable for their customers. The complaint also alleges that the firm, Caldwell, Freiman and Jacobs failed to establish and maintain a system to supervise the activities alleged that was reasonably designed to achieve compliance with applicable securities laws and regulations and NASD/ FINRA rules. The firm, Caldwell, Freiman and Jacobs failed to monitor for, detect and, when detected, investigate multiple instances of potential misconduct by the firm's brokers involving unsuitable active trading investment strategies, unsuitable ETFs, discretionary trading without written authorization and excessive trading/churning in multiple customer accounts across multiple branches of the firm. In addition, the firm, Caldwell, Freiman and Jacobs failed to implement a reasonable supervisory system to adequately review trades

for unsuitable recommendations, such as ETFs, and to adequately monitor whether the firm's representatives understood the risks and benefits of the active trading investment strategy they were recommending, nor did the firm monitor whether the representatives had done any due diligence on the recommended active trading investment strategy. This grossly inadequate supervisory system resulted in many firm customers suffering significant losses and paying staggering commissions and fees. The firm, Caldwell, and Freiman failed to establish and maintain a system to supervise the firm's activities that was reasonably designed to achieve compliance with applicable securities laws and regulations and NASD/FINRA rules and/or the firm's WSPs in multiple other ways. The firm, Caldwell, and Freiman failed to place representatives on heightened supervision, review all electronic correspondence to and from customers, identify and report customer complaints received, and apply right of reinvestment/right of reinstatement fee waivers, resulting in overcharges of \$107,367.08 to customers' accounts. The complaint further alleges that the firm, Caldwell, Freiman and Jacobs failed to establish, maintain and enforce WSPs to supervise its business that were reasonably designed to achieve compliance with applicable securities laws and regulations and NASD/FINRA rules. The firm did not establish, maintain and enforce written procedures to supervise its representatives' recommendations of active and aggressive trading investment strategies to many of its customers in multiple branches. The firm failed to establish, maintain and enforce written procedures to ensure that reduced sales charges were applied for mutual funds where applicable in accordance with the fund's right of reinvestment/right of reinstatement provisions. In addition, the complaint alleges that the firm, Freiman, Jacobs, and Etter failed to identify customer complaints and none of these complaints were reported to FINRA. The firm failed to report to FINRA statistical and summary information regarding written customer complaints from three branches as required. Moreover, the complaint alleges that the firm willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-10 by charging customers misleading and/or discriminatory miscellaneous fees in several transactions. Furthermore, the complaint alleges that the firm, acting by and through Freiman, failed to log into the FinCEN system and conduct any of the required searches of its accounts and systems to determine whether it maintained any accounts for persons appearing on FinCEN's 314(a) request list. The complaint also alleges that Florestan and Lim willfully failed to timely update their Forms U4 to disclose judgments against them. The complaint further alleges that Florestan failed to timely respond to requests from FINRA for documents and information during the course of its investigation of the firm's branch activities. ([FINRA Case #2014039091903](#))

Craig Scott Capital, LLC ([CRD #155924](#), Uniondale, New York), **Brent Morgan Porges** ([CRD #4002626](#), Garden City, New York) and **Craig Scott Taddonio** ([CRD #4773787](#), Babylon, New York) were named respondents in a FINRA complaint alleging that the firm and its owners, Porges and Taddonio, fostered a culture of aggressive, excessive trading of customer accounts. The complaint alleges that the firm is liable for the excessive trading of, and quantitative unsuitable recommendations made by its brokers. Firm brokers used

upcoming earnings announcements as a catalyst for recommending hundreds, and in some cases thousands, of short-term trades in customer accounts that resulted in the firm, Porges and Taddonio, and its brokers earning more than \$5 million dollars in commissions while customers suffered more than \$9 million dollars in losses. The complaint also alleges that the firm, through its brokers, acted with reckless disregard of the customers' interests by seeking to maximize its own remuneration in disregard of the financial interests and needs of the customers. The firm is liable for the fraudulent misconduct of its brokers and as a result, willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 and violated FINRA Rule 2020. The complaint further alleges that the firm, Porges and Taddonio failed to establish, maintain and enforce a reasonable supervisory system, including WSPs, designed to prevent excessive trading and fraudulent churning in customer accounts. Despite numerous red flags of excessive trading and churning the firm, Porges and Taddonio did little to nothing to ensure that firm brokers were making recommendations that were quantitatively suitable for their customers or to prevent churning of customer accounts. The firm, Porges and Taddonio permitted their brokers to trade accounts so frequently, often relying heavily on margin, that under any established metric it was nearly impossible for customers to profit in their accounts. The firm, Porges and Taddonio knew of, but took no meaningful steps to curtail, the active trading because to do so would have resulted in lower commissions and profits for them and the firm's sales force. In addition, the complaint alleges that the firm committed telemarketing violations by failing to establish a reasonable system and procedures to ensure that the sales force avoided contacting persons on the firm-specific do-not-call list and the national do-not-call list. The firm, Porges and Taddonio encouraged cold-calling by the sales force to obtain new clients. As a result, the sales force routinely ignored "do-not-call" telemarketing restrictions. Moreover, the complaint alleges that the firm, Porges and Taddonio lied under oath and in written responses to FINRA requests for information made about the existence of audio recordings and the firm's provision of recording equipment to brokers to record their conversations with customers. FINRA sought to obtain those recordings in order to fully investigate the sales practice abuses taking place at the firm and the firm, Porges and Taddonio repeatedly falsely denied their existence. ([FINRA Case #2015044823501](#))

Kevin Albert Busto ([CRD #2584875](#), Huntington, New York) was named a respondent in a FINRA complaint alleging that he failed to appear for testimony during the course of FINRA's investigation into the circumstances leading to his termination by his member firm, in connection with his activities in his personal bank account. ([FINRA Case #2014041252402](#))

David Charles Cannata ([CRD #2408845](#), Smithtown, New York) was named a respondent in a FINRA complaint alleging that he excessively traded in customer accounts. The complaint alleges that Cannata churned customer accounts and acted knowingly or with reckless disregard of the customers' interests by seeking to maximize his own remuneration, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 and FINRA Rule 2020. The complaint also alleges that Cannata failed to cooperate with a

FINRA investigation into his handling of customer accounts by refusing to appear and give testimony. The complaint further alleges that Cannata willfully failed to timely amend his Form U4 to disclose tax liens totaling \$189,449. ([FINRA Case #2013037857001](#))

J. Randall Gladden ([CRD #1789356](#), La Mesa, California) was named a respondent in a FINRA complaint alleging that he participated in private securities transactions and did not give his member firm prior written or other notice of his participation in, or the selling compensation that he was entitled to receive from, any of these transactions. The complaint alleges that Gladden did not obtain written or other approval from the firm to participate in the transactions even though it was outside the scope of his relationship with his firm, and did not provide his firm the opportunity to record the transactions on its books and records or to supervise his participation in the transactions. Gladden conceived of, and participated in, creating two funds to make loans to churches for the acquisition, construction, improvement and/or refinancing of real estate. Gladden also solicited investors to collectively invest more than \$2.1 million in the funds through purchases of securities. The complaint also alleges that on firm compliance certifications, Gladden falsely informed his firm that he had not “engaged in any capital raising activities for any company, corporation or business entity” and failed to inform his firm that he was serving as a principal member of the funds’ respective managers. ([FINRA Case #2014038996201](#))

Craig Gary Langweiler ([CRD #841897](#), Philadelphia, Pennsylvania) was named a respondent in a FINRA complaint alleging that he willfully failed to amend his Form U4 to timely disclose federal tax liens, totaling approximately \$143,000, and civil judgments, totaling approximately \$56,700 that had been filed against him. The complaint alleges that Langweiler provided inaccurate and incomplete responses regarding liens and judgments to his member firm in a background questionnaire and provided inaccurate and incomplete responses regarding liens and judgments to FINRA in a personal activity questionnaire. ([FINRA Case #2011029549201](#))

Richard Anthony McCollam ([CRD #1419048](#), Lafayette, California) was named a respondent in a FINRA complaint alleging that he willfully failed to disclose customer arbitrations and written customer complaints on his Form U4. The complaint alleges that McCollam filed a Form U4, seeking to register as a registered representative but was held to be deficient and not approved. McCollam’s failure to disclose the arbitrations and customer complaints on his Form U4 was willful, as he either knew or should have known about them at the time he filed his Form U4. The complaint also alleges that prior to the submission of McCollam’s Form U4, his previous member firm disclosed the written customer complaints on amendments to his Uniform Termination Notice for Securities Industry Registration (Form U5). ([FINRA Case #2012035284301](#))

Ricky Randon Moore ([CRD #2574634](#), West Columbia, Texas) was named a respondent in a FINRA complaint alleging that he failed to disclose to his member firm his outside business activities involving the facilitation of a church bond offering for a church. The complaint

alleges that Moore engaged in the undisclosed outside business activities by acting as the president and director of the church and by facilitating the church bond offering for the church. Moore engaged in activities with the church beyond those previously disclosed and without getting prior written consent, as the firm required in its letter approving his role as a minister. The complaint also alleges that made false and misleading statement on his firm's annual compliance questionnaire, which asked whether he had participated in raising capital, equity or debt for a public or private investment or venture outside a firm-approved offering. Moore also falsely stated on the same annual firm compliance questionnaire that he had no undisclosed outside business activities. During the firm's investigation, Moore was permitted to resign, followed by the firm's termination of his registration. ([FINRA Case #2013038770901](#))

Matthew David Rubin (CRD #4869755, Wayne, New Jersey) was named a respondent in a FINRA complaint alleging that he engaged in a pattern of deceit by initiating Automated Clearinghouse (ACH) requests for electronic funds transfers from his personal banking account to his member firm brokerage account, totaling approximately \$17.895 million, even though he knew or reasonably should have known that he had insufficient funds to cover those requests. The complaint alleges that through the use of these unfunded requests for electronic funds transfers, Rubin also improperly appeared to meet margin calls totaling at least \$3.8 million and also the costs of his securities transactions. Rubin's unfunded requests artificially inflated values in his brokerage account contributing to his ability to effect securities transactions with a total principal value of nearly \$88 million and to realize approximately \$33,000 in trading gains. Through these unfunded ACH requests, Rubin willfully caused the firm to extend credit to him in contravention of Regulation T of the Board of Governors of the Federal Reserve System. Because Rubin had insufficient funds to cover those requests for electronic funds transfer, he made a practice of meeting margin calls resulting from his securities transactions by liquidating the same securities or other commitments in his brokerage account. The failure of those funding requests also caused Rubin to engage in free-riding, as he made a practice of effecting transactions where the cost of securities purchased was met by the sale of the same securities. By failing to meet margin calls and free-riding, Rubin willfully violated Section 7(f) of the Securities Exchange Act of 1934 and Regulation X promulgated by the Board of Governors of the Federal Reserve System pursuant to Section 7 of Securities Exchange Act of 1934. ([FINRA Case #2012033832501](#))

Jeffrey Steven Torrison (CRD #1695663, Lakewood, Colorado) was named a respondent in a FINRA complaint alleging that he willfully failed to timely amend his Form U4 to disclose a federal tax lien. The complaint alleges that Torrison made a false attestation to his member firm on an annual compliance questionnaire through which he failed to disclose the same lien. ([FINRA Case #2013038071201](#))

**Firms Expelled for Failure to Pay Fines and/
or Costs Pursuant to FINRA Rule 8320**

Halcyon Cabot Partners, LTD. (CRD #32664)
New York, New York
(December 17, 2015)
FINRA Case #2013038874401

**Indiana Merchant Banking and Brokerage
Co., Inc. (CRD #16315)**
Indianapolis, Indiana
(December 11, 2015)
FINRA Case #2013035053701

John Carris Investments LLC (CRD #145767)
Hoboken, New Jersey
(December 5, 2015)
FINRA Case #2011028647101

**Firms Cancelled for Failure to Pay
Outstanding Annual Assessment Fee
Pursuant to FINRA Rule 9553**

**MidAmerica Financial Services, Inc.
(CRD #47351)**
Joplin, Missouri
(December 2, 2015)

Odd Lot Bonds, Inc. (CRD #43033)
Aventura, Florida
(December 10, 2015)

**Firm Cancelled for Failure to Meet
Eligibility or Qualification Standards
Pursuant to FINRA Rule 9555**

**NativeOne Institutional Trading, LLC
(CRD #122430)**
Leonardo, New Jersey
(December 8, 2015)

**Firms Suspended for Failure to Provide
Information or Keep Information Current
Pursuant to FINRA Rule 9552**

(The date the suspension began is
listed after the entry. If the suspension
has been lifted, the date follows the
suspension date.)

Craig Scott Capital, LLC (CRD #155924)
Uniondale, New York
(December 3, 2015)

Craig Scott Capital, LLC (CRD #155924)
Uniondale, New York
(December 3, 2015)

Craig Scott Capital, LLC (CRD #155924)
Uniondale, New York
(December 10, 2015)

Riviere Securities Ltd. (CRD #47383)
Austin, Texas
(December 3, 2015 – January 15, 2016)

Riviere Securities Ltd. (CRD #47383)
Austin, Texas
(December 3, 2015 – January 15, 2016)

Riviere Securities Ltd. (CRD #47383)
Austin, Texas
(December 10, 2015 – January 15, 2016)

SL Hare Capital, Inc. (CRD #143019)
Encino, California
(December 3, 2015)

SL Hare Capital, Inc. (CRD #143019)
Encino, California
(December 3, 2015)

SL Hare Capital, Inc. (CRD #143019)
Encino, California
(December 10, 2015)

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Joe L. Buckner (CRD #2187957)
Carrollton, Texas
(December 7, 2015)
FINRA Case #2015045420401

Adam Douglas Carrol (CRD #5614419)
Oswego, Illinois
(December 17, 2015)
FINRA Case #2013038015301

Dennis Fitzgerald Davis (CRD #4855416)
Brooklyn, New York
(December 24, 2015)
FINRA Case #2015044318301

Stevaun I. Davis (CRD #6442249)
Cleveland Heights, Ohio
(December 24, 2015)
FINRA Case #2015044437501

Theodore Garrity (CRD #4512988)
Edina, Minnesota
(December 24, 2015)
FINRA Case #2015044576401

Tony Sang Jung (CRD #4476421)
Fort Lee, New Jersey
(December 24, 2015)
FINRA Case #2015044914101

Andreas Stavros Kentrotas (CRD #3202515)
Manhasset, New York
(December 11, 2015)
FINRA Case #2014043840401

Jay Max Mabry (CRD #4674047)
Schaumburg, Illinois
(December 21, 2015)
FINRA Case #2015046202001

Joseph Anthony Mele (CRD #6007521)
Oxnard, California
(December 21, 2015)
FINRA Case #2015046218101

Eugene Theodore Smietana (CRD #3160947)
Traverse City, Michigan
(December 21, 2015)
FINRA Case #2015044455901

John Howard Towers (CRD #700221)
Plano, Texas
(December 21, 2015)
FINRA Case #2013038827701/FPI150010

Jacqueline Lee Vadala (CRD #4591227)
Merrick, New York
(December 21, 2015)
FINRA Case #2015045625001

Kenneth Robert Wooden (CRD #2777325)
Lexington, Kentucky
(December 11, 2015)
FINRA Case #2015044038001

Individuals Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Jason Christian Barter (CRD #2552583)
Hicksville, New York
(December 5, 2015)
FINRA Case #2011028647101

David J. Rosenberg (CRD #3223751)
Buffalo Grove, Illinois
(December 3, 2015)
FINRA Case #2014039218102

Bryan Patrick Stevenson (CRD #6028574)
Shorewood, Illinois
(December 3, 2015)
FINRA Case #2013038822001

Andrey V. Tkatchenko (CRD #2712245)
Lincroft, New Jersey
(December 5, 2015)
FINRA Case #2011028647101

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Steven Angelo Aguilar (CRD #6125908)
Denver, Colorado
(December 24, 2015)
FINRA Case #2015046415601

Thomas Edward Andrews (CRD #4587953)
Holladay, Utah
(December 3, 2015)
FINRA Case #2015047236301

John H. Berry (CRD #1282188)
Mission Viejo, California
(December 7, 2015)
FINRA Case #2015046825101

Jeffrey Alan Bond (CRD #6117196)
Point Pleasant, New Jersey
(December 28, 2015)
FINRA Case #2014041954001

Ricardo Athelstone Broome (CRD #4201644)
Brooklyn, New York
(December 14, 2015)
FINRA Case #2015046439901

Thomas Buono (CRD #2102270)
Valley Cottage, New York
(December 14, 2015)
FINRA Case #2014041660101

Henry Kimtong Chang (CRD #1361697)
Scituate, Massachusetts
(December 7, 2015)
FINRA Case #2015046849501

Veronica A. Deese (CRD #4792774)
Charlotte, North Carolina
(December 7, 2015)
FINRA Case #2015046425101

Larry Gordon Goldston (CRD #1869099)
Lubbock, Texas
(December 21, 2015)
FINRA Case #2015045198601

Rogelio Fernando Guevara (CRD #5644549)
El Paso, Texas
(December 14, 2015)
FINRA Case #2015046603501

Li-Lin Hsu (CRD #4706509)
Diamond Bar, California
(September 21, 2015 – December 2, 2015)
FINRA Case #2015045016701

Roy Edward Jones (CRD #2270251)
Glenview, Illinois
(December 24, 2015)
FINRA Case #2015046856701

Sean Francis Lanci (CRD #4180997)
Bronx, New York
(December 28, 2015)
FINRA Case #2015046443301

Tiffany Kim Le (CRD #4696188)
Monterey Park, California
(December 4, 2015)
FINRA Case #2014041213201

Sergio D. Lopez (CRD #5413383)
River Edge, New Jersey
(December 4, 2015)
FINRA Case #2015046509201

**April Christine Morris-Spicer
(CRD #2418557)**
Dallas, Texas
(December 21, 2015)
FINRA Case #2015045222101

Sean David Portnoy (CRD #4962978)
Plano, Texas
(December 18, 2015)
FINRA Case #2015045928801

**Samantha Raeshawn Raines
(CRD #6102598)**
Raleigh, North Carolina
(December 21, 2015)
FINRA Case #2015044493301

**Royal Vance Keith Charles Reynolds III
(CRD #6283762)**
Phoenix, Arizona
(December 4, 2015)
FINRA Case #2015045657301

Angelos Stephen Tsigounis (CRD #2136978)
Sparta, New Jersey
(December 7, 2015)
FINRA Case #2015046586801

Makiasa Donyell Turner (CRD #5913308)
Raymond, Mississippi
(December 7, 2015)
FINRA Case #2015046430001

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule Series 9554. (The date the suspension began is listed after the entry.)

If the suspension has been lifted, the date follows the suspension date.)

Phillip Wayne Conley (CRD #4799544)
Bruceton Mills, West Virginia
(December 3, 2015)
FINRA Arbitration Case #14-03322

Daniel Joseph Crowley (CRD #2013600)
New Canaan, Connecticut
(December 3, 2015)
FINRA Arbitration Case #13-00285

Laurie Anne Facsina (CRD #1898943)
Twinsburg, Ohio
(December 18, 2015)
FINRA Case #20150465979/ARB150039

Daniel Steven Gedatus (CRD #2564189)
Stillwater, Minnesota
(July 23, 2008 – December 9, 2015)
FINRA Arbitration Case #06-00323

William Albert Hansen (CRD #1838808)
Tarrytown, New York
(August 31, 2015 – December 10, 2015)
FINRA Arbitration Case #14-02130

Aaron Leonard Heimowitz (CRD #241866)
Kew Gardens, New York
(December 3, 2015)
FINRA Arbitration Case #13-03293

Greg James Hilliard (CRD #4695196)
Highlands, New Jersey
(March 13, 2015 – December 21, 2015)
FINRA Case #2015044498201/ARB150014

Thomas Wayne Ottman (CRD #1010394)
Blaine, Minnesota
(December 3, 2015)
FINRA Case #2015047219401/ARB150048

Armando Wood (CRD #4983773)
Spring, Texas
(December 3, 2015)
FINRA Arbitration Case #14-03753

FINRA Sanctions Fidelity Brokerage Services LLC \$1 Million for Supervisory Failures

Firm Failed to Follow Up on Red Flags to Detect or Prevent Theft of Funds From Senior Investors by Fraudster Posing as Fidelity Broker

The Financial Industry Regulatory Authority (FINRA) announced that it fined Fidelity Brokerage Services LLC \$500,000 and ordered the firm to pay nearly \$530,000 in restitution for failing to detect or prevent the theft of more than \$1 million from nine of its customers, eight of whom were senior citizens. Lisa Lewis posed as a Fidelity broker, obtained her victims' personal information, and systematically stole customer assets through numerous transfers and debit-card transactions.

FINRA found that from August 2006 until her fraud was discovered in May 2013, Lewis was running a conversion scheme by targeting former customers from another brokerage firm from which she had been fired. Lewis told the victims she was a Fidelity broker and urged them to establish accounts at the firm and also established joint accounts with her victims in which she was listed as an owner. She eventually established more than 50 accounts and converted assets from a number of these accounts for her own personal benefit. In June 2014, Lewis pleaded guilty to wire fraud, and was sentenced to 15 years in prison and was ordered to pay more than \$2 million in restitution to her victims.

FINRA found that Fidelity failed to detect or adequately follow up on multiple "red flags" related to Lewis's scheme. For example, though Lewis' victims were unrelated to one another, their various accounts shared a number of common identifiers tying them all to Lewis, such as a common email address, physical address or phone number. Fidelity also failed to detect Lewis' consistent pattern of money movements and overlooked red flags in telephone calls handled by its customer-service call center in which there were indications that Lewis was impersonating or taking advantage of her senior investor victims.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "Protection of senior investors is a core mission for FINRA and why we started the FINRA Securities Helpline for Seniors. This case is a reminder to firms to ensure their supervisory systems and procedures are designed to protect senior investors from harm and to adequately follow-up on red flags to detect potential fraudulent account activity."

FINRA also found that Fidelity's inadequate supervisory systems and procedures contributed to the failure to detect and prevent Lewis's fraudulent activities. Though Fidelity maintained a report designed to identify common email addresses shared across multiple accounts, it failed to implement procedures regarding the report's use and dedicate adequate resources to the review and investigation of the reports. As a result, there was a backlog in reviewing thousands of reports, including a report in March 2012 showing that Lewis' email address was associated with dozens of otherwise unrelated accounts. The report was not reviewed by anyone at Fidelity until April 2013, more than a year after it was generated.

In settling this matter, Fidelity neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Sanctions Cantor Fitzgerald & Co. \$7.3 Million for Selling Billions of Unregistered Microcap Shares, and for Related Supervisory and AML Violations

Trader and Supervisor Suspended and Fined

FINRA announced that it has fined Cantor Fitzgerald & Co. \$6 million and ordered disgorgement of nearly \$1.3 million in commissions, plus interest, for selling billions of unregistered microcap shares in violation of federal law. Cantor Fitzgerald & Co. was also sanctioned for failing to have adequate supervisory or anti-money laundering (AML) programs tailored to detect “red flags” or suspicious activity connected to its microcap activity. In addition, two of the firm’s business executives were suspended and fined: Jarred Kessler, Executive Managing Director of Equity Capital Markets during the relevant period, was suspended for three months in a principal capacity and fined \$35,000 for supervisory failures; and equity trader Joseph Ludovico was suspended in all capacities for two months and fined \$25,000.

FINRA found that Cantor Fitzgerald & Co.’s supervisory system was not reasonably designed to satisfy the firm’s affirmative obligation to determine whether the microcap securities that it was liquidating for clients were registered with the Securities and Exchange Commission or subject to an exemption from registration. While Cantor Fitzgerald & Co. made a business decision to expand its microcap liquidation business in March 2011, it failed to ensure that its supervisory system included a reasonable and meaningful inquiry into whether these sales were lawful. Among Cantor Fitzgerald & Co.’s failings were insufficient guidance and inadequate training about when or how to inquire into whether a sale was exempt, and inadequate tools for supervisors to identify red flags associated with illegal, unregistered distributions. As a result of these failures, Cantor Fitzgerald & Co. and Ludovico, as the broker of record, sold billions of shares of thinly traded microcap securities between March 2011 and September 2012 without adequate review and due diligence, a significant portion of which were neither registered nor exempt from registration. These violations were accompanied by a failure to implement an adequate AML program tailored to detect red flags and patterns of potentially suspicious money laundering activity related to these sales.

Kessler, a former senior supervisor of Cantor Fitzgerald & Co.’s equities business, failed to respond adequately to a number of red flags indicating the firm’s existing supervisory system was insufficient to support the expansion of Cantor & Co.’s microcap liquidation business. In particular, Kessler knew that the expanding microcap business posed unique challenges and was generating an increasing number of regulatory inquiries, but nonetheless delegated his supervisory responsibilities to a central review group without taking sufficient steps to investigate the adequacy of their efforts.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "If a broker-dealer is looking to increase its revenues by expanding a high-risk business line, the firm and its supervisors must tailor their supervision to the risks associated with those businesses. This is especially true when the new business involves the mass liquidation of microcap securities, which presents overwhelming risks of fraud and investor harm. FINRA has no tolerance for firms and business executives who choose to engage in this business without robust systems designed to ensure that they do not become participants in illegal, unregistered distributions."

In settling this matter, the respondents neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Kessler's suspension is in effect from January 4, 2016, through April 3, 2016.

Ludovico's suspension is in effect from January 19, 2016, through March 18, 2016.

FINRA Fines Macquarie Capital (USA) Inc. \$2.95 Million for Submitting Inaccurate Blue Sheet Data

FINRA announced it has censured and fined Macquarie Capital (USA) Inc. \$2.95 million for failing to provide complete and accurate trade data in an automated format when requested by the Securities and Exchange Commission (SEC) and FINRA. Also, Macquarie must conduct a comprehensive review of its policies, systems and procedures related to blue sheet submissions, and to subsequently certify that they have established procedures reasonably designed to address and correct the violations.

The SEC and FINRA request trade data, or "blue sheets," to assist them in investigations focused on equity trading, including market manipulation and insider trading. Federal securities laws and FINRA rules require firms to provide this information to FINRA and other regulators electronically upon request. Blue sheets provide regulators with critical information about securities transactions, including the security, trade date, price, share quantity, customer name, and whether it was a buy, sale, or short sale. This information is essential to regulators' ability to discharge their enforcement and regulatory mandates.

Cameron Funkhouser, Executive Vice President and Head of FINRA's Office of Fraud Detection and Market Intelligence, said, "FINRA's ability to conduct market surveillance and complex investigations is dependent on the accuracy of member firm blue sheet data. All introducing and clearing firms should take inventory of their processes for producing accurate trading data to ensure that they are in position to comply with blue sheet requests from regulators in a complete and timely manner."

FINRA found that from January 2012 to September 2015, Macquarie experienced multiple problems with its electronic systems used to compile and produce blue sheet data. This caused the firm to submit some blue sheets that misreported buys as sells and vice versa

on allocations of certain customer trades, miscalculate the net amount of transactions, fail to report post-trade cancels and corrections, and fail to provide accurate customer information. FINRA also found that Macquarie failed to have adequate audit systems in place.

In settling this matter, Macquarie neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA's investigation was conducted by the Office of Fraud Detection and Market Intelligence, and the Department of Enforcement.

FINRA Sanctions Barclays Capital, Inc. \$13.75 Million for Unsuitable Mutual Fund Transactions and Related Supervisory Failures

FINRA announced today that it has ordered Barclays Capital, Inc. to pay more than \$10 million in restitution, including interest, to affected customers for mutual fund-related suitability violations. These suitability violations relate to an array of mutual fund transactions including mutual fund switches. Additionally, the firm failed to provide applicable breakpoint discounts to certain customers. Barclays was also censured and fined \$3.75 million.

NASD *Notices to Members* 94-16 and 95-80 remind broker-dealers of their obligation to ensure that any recommendation to switch mutual funds be evaluated with regard to the net investment advantage to the investor. FINRA noted that "switching among certain fund types may be difficult to justify if the financial gain or investment objective to be achieved by the switch is undermined by the transaction fees associated with the switch." A "mutual fund switch" involves one or more mutual fund redemption transactions coupled with one or more related mutual fund purchase transactions.

FINRA found that from January 2010 through June 2015, Barclays' supervisory systems were not sufficient to prevent unsuitable switching or to meet certain of the firm's obligations regarding the sale of mutual funds to retail brokerage customers. In particular, the firm incorrectly defined a mutual fund switch in its supervisory procedures to require three separate transactions within a certain time frame. Based on this incorrect definition, Barclays failed to act on thousands of automated alerts for potentially unsuitable transactions, excluded transactions from review for suitability and failed to ensure that disclosure letters were sent to customers regarding the transaction costs. As a result, during the five-year period, there were more than 6,100 unsuitable mutual fund switches resulting in customer harm of approximately \$8.63 million.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement said, "The proper supervision of mutual fund switching and breakpoint discounts is essential to the protection of retail mutual fund investors, and this case highlights FINRA's commitment to ensuring that firms meet these obligations."

Additionally, FINRA found that the firm failed to provide adequate guidance to supervisors to ensure that mutual fund transactions for its retail brokerage customers were suitable based upon customer investment objectives, risk tolerance and account holdings. During a six-month look back review, 1,723, or 39 percent of mutual fund transactions were found to be unsuitable, with 343 customers experiencing financial harm totaling more than \$800,000, including realized losses.

In addition, during the same five-year period, Barclays' supervisory system failed to ensure that purchases were properly aggregated so that eligible customers could be provided with breakpoint discounts. A six-month look back review found that the firm failed to provide eligible customers discounts in 98 Class A share mutual fund transactions.

In concluding this settlement, Barclays neither admitted nor denied the charges, but consented to the entry of FINRA's findings.