

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

TRENT TREMAYNE HUGHES
(CRD No. 3226348)

Respondent.

Disciplinary Proceeding
No. 2008013391701

HEARING PANEL DECISION

Hearing Officer – SNB

January 12, 2010

For affixing customer signatures on cash distribution requests to accommodate customers, without his firm’s knowledge or consent, in violation of Rule 2110, Respondent is fined \$5,000 and suspended in all capacities for three months.

Appearances

William Brice La Hue, Esq., Atlanta, Georgia, and George McGuigan, Jr., Esq., Dallas, Texas, for the Department of Enforcement.

Trent Tremayne Hughes, appeared on his own behalf.

DECISION

I. Procedural History

On April 14, 2009, the Department of Enforcement (“Enforcement”) filed a one-count Complaint against Trent Tremayne Hughes (“Respondent”). The Complaint alleged that Respondent affixed customer signatures on 91 cash distribution forms to accommodate

three customers without his firm's knowledge or consent, in violation of Rule 2110.¹ On June 3, 2009, Respondent filed an answer admitting the allegations and requesting a hearing. The hearing was held on September 23, 2009, in Dallas, Texas, before a Hearing Panel composed of the Hearing Officer, one current member of FINRA's District 6 Committee, and one former member of FINRA's District 6 Committee.²

II. Origin of Investigation

The investigation that led to this proceeding followed a Form U5 disclosing the Firm's investigation of cash distributions prepared by Respondent that appeared to contain photocopied customer signatures and altered dates. Tr. 11-12; JX-2 pp. 4-5.

III. Discussion

A. Respondent

Respondent began in the securities industry in 1999. Stip. ¶1. In September 2002, Respondent became associated with member firm Ameriprise Financial Services, Inc. ("Firm"). Stip. ¶2. Thereafter, Respondent also became registered as a Private Securities Offerings Limited Representative, a General Securities Principal, and a General Securities Representative.

On September 9, 2005, Respondent became the Firm's Chief Compliance Officer. CX-17 p.3. In March 2006, Respondent became registered as a General Securities

¹ NASD consolidated with the member regulation and enforcement functions of NYSE Regulation in July 2007 and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). References in this decision to FINRA include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidated rules became effective on December 15, 2008. See Regulatory Notice 08-57 (Oct. 2008). In that process, FINRA renumbered NASD Rule 2110 as FINRA Rule 2010. This decision refers to and relies on the Rules that were in effect at the time of Respondent's alleged misconduct. In addition, because Enforcement filed the Complaint after December 15, 2008, FINRA's procedural rules govern this proceeding. The applicable rules are available at www.finra.org/rules.

² Joint Exhibits ("JX") 1-13 were admitted into the record. The hearing transcript is referred to as "Tr." Stipulation paragraphs are referred to as "Stip. ¶."

Representative with the Firm. JX-1 p. 8. In May 2008, he voluntarily resigned to pursue an opportunity with another firm where he is currently registered. Stip. ¶3; Tr. 31; JX-2.

B. Respondent Affixed Customer Signatures on Cash Distribution Forms

There is no dispute about the facts in this case. Respondent's customers, JP, HJ, and MM, were professional athletes who traveled frequently as part of their employment. Two of them were employed in Europe during the conduct at issue. Stip. ¶¶5-6; Tr. 24, 35. During the period October 2006 through March 2008, while these customers were traveling and unable to complete required documentation, they asked Respondent to transfer funds immediately from their accounts to meet financial obligations or to provide funds to their family members. Stip. ¶¶7-10; Tr. 17, 24; JX-8.

At the hearing, Respondent explained that he mentored these customers, encouraging them to address financial issues, care for their dependent children, and "get on the right track." Tr. 25-26, 42, 50-51. Accordingly, when these customers called to make last minute transfers of funds to meet their obligations while they were overseas or otherwise unable to sign the required forms, he wanted to do what he could to assist them. However, Respondent was unable to obtain their signatures as required, and there was no way to accommodate their requests unless he completed the cash distribution forms without obtaining their signatures.³ Tr. 41-42. Therefore, with the customers' knowledge, Respondent reused signature pages from prior cash distribution forms and altered the dates to facilitate the requested transfers. Stip. ¶¶11-13. In this manner, Respondent altered 91 cash disbursement forms for JP, HJ, and MM, and transferred \$212,752 at their direction. Stip. ¶¶14-16; Tr. 37.

³ The Firm did not permit Respondent to have a power of attorney over customer accounts, and Respondent's clients were not comfortable giving a power of attorney to their family members. Tr. 40-41; JX-9.

The Firm uncovered the substituted signature pages following a review triggered by the large volume of cash distribution requests in one of the customer accounts. Stip. ¶¶20-21; Tr. 21. When the Firm confronted Respondent, he immediately acknowledged what he had done and expressed remorse. Stip. ¶22.

IV. Violation

The Complaint alleges that Respondent violated Rule 2110 by affixing customer signatures on cash distribution forms to accommodate three customers, without his firm's knowledge or consent. Respondent does not dispute the charge. Stip. ¶24.

Rule 2110 provides that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”⁴ It is well established that affixing customer signatures to firm documents is not consistent with the high standards of commercial honor and just and equitable principles of trade required by Rule 2110.⁵ Accordingly, the Panel finds that Respondent violated Rule 2110.

V. Sanctions

FINRA's Sanction Guidelines (“Guidelines”) for falsification of records recommend a fine of \$5,000 to \$100,000 and a suspension for up to two years where mitigating factors exist. Enforcement urged that the Panel impose no less than a one-year suspension and a \$5,000 fine. Respondent did not take a position on sanctions.

The Principal Considerations under this Guideline include the nature of the falsified document and whether the respondent had a good-faith, but mistaken, belief of express or implied authority.⁶ Here, while the falsified documents were significant because they

⁴ Rule 2110 is applicable to associated persons pursuant to Rule 0115(a), which provides, “These Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under these Rules.”

⁵ See, e.g., Donald M. Bickerstaff, Exch. Act Rel. No. 35,607, 1995 SEC LEXIS 982 (Apr. 17, 1995).

⁶ FINRA Sanction Guidelines at 39 (2007 ed.).

facilitated the withdrawal of funds from customer accounts, it is undisputed that the customers requested the transfers and Respondent acted with their authority. Moreover, Respondent acknowledged and regretted his actions and received no compensation in connection with his misconduct. Stip. ¶17; Tr. 39, 52. Finally, the Panel found it appropriate to credit Respondent for the sanctions imposed by the State of Texas for his misconduct - heightened supervision for a two- year period commencing on March 2009.⁷ Tr. 29, 31; JX-13.

After weighing the evidence, the Panel finds that it is appropriate to suspend Respondent in all capacities for three months. In addition, given Respondent's limited resources, the Panel finds that a fine of \$5,000, payable upon re-entry into the industry, is appropriately remedial.

VI. Conclusion

For affixing customer signatures on cash distribution requests to accommodate customers, without his firm's knowledge or consent, in violation of Rule 2110, Respondent is fined \$5,000 and suspended in all capacities for three months. In addition, he is ordered to pay costs in the amount of \$1231.25, which includes an administrative fee of \$750 and the cost of the hearing transcript. If this Decision becomes the final disciplinary action of FINRA, the suspension shall become effective with the opening of business on Monday,

⁷ See Dep't of Enforcement v. Prout, No. C01990014, 2000 NASD Discip. LEXIS 18, at **8-9 (N.A.C. Dec. 18, 2000) (crediting Respondent with the suspension imposed by his firm); Dep't of Enforcement v. Greer, No. C05990035, 2001 NASD Discip. LEXIS 34, at *14 n.6 (N.A.C. Aug. 6, 2001) (considering fines paid to another regulator in determining an appropriate fine); Dep't of Enforcement v. Deviney, No. 2006004992601, 2008 FINRA Discip. LEXIS 17, at **20-21 (O.H.O. Mar. 18, 2008) (considering fine and suspension imposed by another regulator in determining sanctions); Dep't of Enforcement v. Schwartz, No. E102004083703, 2007 FINRA Discip. LEXIS 22, at *10 (O.H.O. Nov. 16, 2007) (considering a fine and heightened supervision requirements imposed by State of Florida in determining sanctions).

March 15, 2010, and end with the close of business on Monday, June 14, 2010. The fine and costs shall become due and payable when Respondent returns to the industry.

HEARING PANEL

By: Sara Nelson Bloom
Hearing Officer

Copies to:

Trent T. Hughes (*via first-class mail, electronic mail & overnight courier*)
William Brice La Hue, Esq. (*via first-class & electronic mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)