FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT, Complainant, v. CHRISTOPHER ROBERT RANNI (CRD No. 1698428), Respondent.	Disciplinary Proceeding No. 20080117243 Hearing Officer – LOM **AMENDED HEARING PANEL DECISION**[1] March 9, 2012

As Chief Compliance Officer of his Firm, over a six-month period Respondent: (i) failed to establish and maintain adequate written supervisory procedures in violation of NASD Rules 3010 and 2110 (First Cause); (ii) failed to enforce written supervisory procedures that were in place regarding private placements in violation of NASD Rules 3010 and 2110 (Second Cause); and (iii) failed to establish, maintain and enforce written supervisory control procedures in violation of NASD 3012 and 2110 (Third Cause). For these violations, Respondent is suspended from association with any FINRA registered firm in any supervisory capacity for a total of eight months and ordered to pay both a total fine of $7,000 and costs.

Appearances

Donald C. Sullivan, Senior Counsel; Joseph P. Darcy, Principal Counsel; and Richard Chin, Director, FINRA, Department of Enforcement, New York, NY, for Complainant.

Joseph J. Ranni, Esq., Ranni Law Firm, Florida, NY, for Respondent.

HEARING PANEL DECISION

I. INTRODUCTION

The Respondent, Christopher Robert Ranni ("Respondent" or "Ranni"), became President and Chief Compliance Officer ("CCO") of Parker Financial Corp. (the "Firm" or

[1] The Hearing Panel Decision is amended to correct the end date for Respondent's suspension.

"Parker") in October 2007. In January 2008, FINRA staff announced the beginning of a routine "cycle" examination. In the course of the examination, FINRA staff reviewed several versions of the Firm's then-current Written Supervisory Procedures ("WSPs") and discovered that there was no substantive difference between the 2008 WSPs and WSPs that had been found deficient in a prior 2006 routine cycle examination.

As a result, the Department of Enforcement ("Enforcement") brought this disciplinary proceeding against Ranni on December 15, 2010, for failing to fulfill his duties as CCO. Enforcement alleged three causes of action against him for a period of six months, running from October 2007 to April 2008.[2]

First, Enforcement alleged that when Ranni became CCO in October 2007 he became responsible for establishing and maintaining the Firm's WSPs, but that he violated NASD Rules 3010 and 2110 by failing to ensure that the WSPs were adequate.[3] The Complaint alleged that 17 deficiencies previously identified in the 2006 WSPs had failed to be addressed in the 2008 WSPs.

Second, Enforcement alleged that Ranni also violated NASD Rules 3010 and 2110 by failing to implement and enforce supervisory procedures that were contained in the Firm's WSPs relating to supervision of private placement transactions. Although the Firm's 2008 WSPs required the CCO's prior review and approval of private placement transactions, the Complaint alleged that there were no records to show that Ranni had reviewed or approved a particular

[2] Compl. ¶ 2 (relevant period defined as "[b]etween October 2007 and April 2008"); Hearing Tr. 565 (Enf. Closing) ("[W]e are talking about a six-month relevant period.").

[3] The Financial Industry Regulatory Authority, Inc. ("FINRA") is responsible for regulatory oversight of securities firms and associated persons who do business with the public. FINRA was formed in July 2007 by the consolidation of the National Association of Securities Dealers, Inc. ("NASD") and the regulatory arm of the New York Stock Exchange ("NYSE"). FINRA is developing a new "Consolidated Rulebook" of FINRA Rules that includes NASD Rules. The first phase of the new consolidated rules became effective on December 15, 2008. *See* FINRA Regulatory Notice 08-57 (Oct. 2008). Because the Complaint in this case was filed after December 15, 2008, FINRA's procedural rules apply. The conduct rules that apply are those that existed at the time of the conduct at issue. FINRA's Rules are available at www.finra.org/Industry/Regulation/FINRARules.

private placement prior to sale to six customers by one of the Firm's registered representatives in January and February 2008.

Third, Enforcement alleged that the 2006 WSPs lacked any supervisory control procedures and that the Firm still did not have any written supervisory control procedures in place in 2008, as required by NASD Rule 3012.

Based upon a careful review of the record, the Hearing Panel makes the following findings of fact and conclusions of law.

II. BACKGROUND

A. Respondent's General Employment History

In 1987, Respondent began working as a mutual fund accountant.[4] Since at least the early 1990s, Ranni has been employed by various FINRA registered broker-dealers in different registered capacities, including as a registered representative, compliance officer, registered options principal, and financial and operations principal ("FINOP").[5] Between 1991 and 2008, Respondent obtained the following securities licenses: Series 3, 4, 7, 24, 27, 55, and 63.[6] Ranni voluntarily terminated from his Firm on December 26, 2008, and has not been employed in the securities industry or registered with a FINRA member firm since that time.[7]

B. Respondent's Employment History At Parker

Respondent was first employed at Parker as a FINOP in January 2003 until his voluntary termination on October 14, 2005.[8] He was not with the Firm at the time of the 2006 routine

[4] Hearing Tr. (C. Ranni) 420-22; JX-3 (OTR Testimony of C. Ranni) at OTR pp. 31-32.

[5] Compl. ¶ 4; Answer ¶ 4; CX-1 (CRD report dated 5/18/2011); Hearing Tr. (C. Ranni) 415, 420-22.

[6] Compl. ¶ 5; Answer ¶ 5; Hearing Tr. (C. Ranni) 415.

[7] Compl. ¶ 6; Answer ¶ 6; CX-1 (CRD report dated 5/18/2011).

[8] Compl. ¶ 6; Answer ¶ 6; CX-1 (CRD report dated 5/18/2011); Hearing Tr. (C. Ranni) 415-16.

examination or when FINRA staff conducted an options examination in the early part of 2007.[9]

Ranni rejoined Parker in September 2007 as a general securities representative; in October 2007 he became a general securities principal with the Firm and began serving as its President and CCO.[10] Ranni was in charge of general compliance, effective as of October 15, 2007.[11] In addition, the Firm identified Ranni as the person responsible for review of the supervisory system and supervisory controls and for the Written Supervisory Procedures.[12]

When FINRA staff announced in early January 2008 that it intended to begin a routine cycle examination at the end of the month, it requested an organizational chart.[13] The Firm provided a chart that identified everyone who worked at the Firm.[14] The organizational chart showed that everyone ultimately reported to Ranni.[15]

At the Hearing, Ranni explained the circumstances in which he rejoined the Firm. An entity in which he held an interest, Sunspot Holdings, bought a 20% interest in Parker at about the time he rejoined the Firm.[16] Sunspot had developed a computerized futures trading algorithm and sought a FINRA-registered firm to test the system.[17] Ranni recommended Parker and

[9] CX-1 (CRD report dated 5/18/2011).

[10] Compl. ¶ 6; Answer ¶ 6; CX-1(CRD report dated 5/18/2011); Hearing Tr. (C. Ranni) 418. *See also* Hearing Tr. (S. Domasica) 49.

[11] CX-16 at 15 of 19; Hearing Tr. (S. Domasica) 133-34. In response to an information request from FINRA staff, the Firm identified Ranni as the person responsible for supervision of General Compliance, anti-money-laundering compliance, financial reporting, branch activity, customer complaints, and arbitration, among other matters. CX-16 at 15-16 of 19.

[12] CX-16 at 16 of 19.

[13] CX-14 at 3 of 4; Hearing Tr. (S. Domasica) 64-65.

[14] CX-13; Hearing Tr. (S. Domasica) 64-66.

[15] *Id.*

[16] Hearing Tr. (C. Ranni) 418.

[17] Hearing Tr. (C. Ranni) 419, 530-31.

facilitated the connection of Parker with Sunspot.[18] Ranni testified that he was focused on the testing of Sunspot's technology and not so much on Parker and its management or its profitability.[19] Ranni testified that he did not actually want to be CCO of Parker,[20] but he took on that position in addition to the position as President in order to save the Firm money and make its capital go further.[21] The Firm had approximately $50,000, which Ranni figured could last a year.[22]

Ranni also testified that when he first became CCO many of the regulatory procedures had changed since he had previously been with a FINRA member Firm.[23] It took him awhile to go through the on-line systems "to make sure that Form BD was proper, to understand the Web CRD, the new web CRD and all the other online systems that they had put online."[24] He did not turn his attention to revising the WSPs until a few months after becoming CCO. Respondent testified that he made some changes to the WSPs in January 2008, about the time the examination commenced.[25] He continued working on the WSPs as the examination proceeded.[26]

[18] Hearing Tr. (C. Ranni) 536-37.

[19] Hearing Tr. (C. Ranni) 454-55, 530-31.

[20] Hearing Tr. (C. Ranni) 463.

[21] Hearing Tr. (C. Ranni) 465, 537-38.

[22] Hearing Tr. (C. Ranni) 537-38.

[23] Hearing Tr. (C. Ranni) 427-28 ("The systems had substantially changed since the last time I was with a FINRA member firm. Web CRD was expanded. There was a lot more online. A lot of the feedback that you give to FINRA now, notifications, are done online. Form BR was new to me. Web CRD had changed substantially. Some of the notifications, such as the control procedures, if you are claiming the exemptions, they are done online, check the box, claim the exemption.").

[24] *Id.* at 428.

[25] Hearing Tr. (C. Ranni) 542-43.

[26] Hearing Tr. (C. Ranni) 542-44.

He provided a "working copy" to FINRA staff in March 2008[27] and circulated the WSPs for comment by others in the Firm around that same time.[28]

The Firm reported to FINRA staff in mid-January 2008 that it was interviewing for a new CCO.[29] In April or May 2008, Ranni engaged a consulting firm called Security Consultants to assist in drafting better supervisory procedures.[30] Respondent and another senior person with the Firm met with Security Consultants three times.[31] Ranni testified at the Hearing that the Firm hired a new CCO who took over sometime in the summer of 2008, but that person spent only about a month on the job before unexpectedly dying.[32] Ranni resumed the position of CCO until the Firm found a replacement later in 2008.[33] As noted above, Respondent left the Firm in December 2008,[34] and he has not been in the securities industry since then.[35]

C. The Firm

Parker primarily engaged in over-the-counter corporate security transactions and private placements.[36] During the relevant period, the Firm was headquartered in Valley Cottage, New

[27] Hearing Tr. (S. Domasica) 117.

[28] Hearing Tr. (C. Ranni) 542.

[29] CX-16 at 15 of 19.

[30] Hearing Tr. (C. Ranni) 524-25.

[31] *Id.*

[32] Hearing Tr. (C. Ranni) 445, 468-69.

[33] CX-4 (12/19/2008 BD Amendment signed by Christopher Ranni as President of Parker Financial Corp., listing Steve Beichert as CCO); Hearing Tr. (C. Ranni) 468-69.

[34] Hearing Tr. (C. Ranni) 468-69.

[35] Hearing Tr. (C. Ranni) 449. At the time Respondent left the Firm, it was assisting him to pay a fine he owed in connection with a settlement of another disciplinary proceeding against him. Hearing Tr. (C. Ranni) 447-49. He testified that he could not afford to pay the fine himself. *Id.* On March 13, 2009, FINRA revoked Respondent's registration for failure to pay that fine. CX-1 at 24-25 of 28.

[36] Hearing Tr. (C. Ranni) 526-27.

York, and had two additional offices located in Rahway, New Jersey and Melville, New York.[37] The examiner testified that the Firm employed roughly ten to a dozen people.[38]

D. The 2008 Examination Leading To This Proceeding

FINRA staff conducted a regular "cycle" examination of the Firm, beginning on January 29, 2008.[39] The examination covered the period of time from the end of the last cycle examination to the beginning of the current examination – from April 2006 until January 29, 2008.[40] Typically, FINRA staff will note any deficiencies uncovered by the prior examination and will follow up to see whether those have been corrected.[41]

In preparation for the 2008 examination, FINRA staff reviewed the Letter of Caution issued at the conclusion of the 2006 cycle examination.[42] The Letter of Caution identified various deficiencies, including the Firm's failure to establish Written Supervisory Procedures for all of its listed businesses and the Firm's failure to establish supervisory control policies and procedures.[43]

On January 8, 2008, FINRA staff sent by email to Respondent a request letter for certain documents to be reviewed in the 2008 examination.[44] Among other things, the letter sought the

[37] Hearing Tr. (S. Domasica) 46; CX-3 (historical CRD Report for broker/dealer).

[38] Hearing Tr. (S. Domasica) 46.

[39] Hearing Tr. (S. Domasica) 45-48.

[40] Hearing Tr. (S. Domasica) 46.

[41] Hearing Tr. (S. Domasica) 51.

[42] Hearing Tr. (S. Domasica) 53-54; CX-5 (2006 Letter of Caution).

[43] Hearing Tr. (S. Domasica) 57; CX-5 (2006 Letter of Caution).

[44] Hearing Tr. (S. Domasica) 64; CX-14 (Jan. 2008 Email Request Letter).

Firm's current Written Supervisory Procedures and its supervisory controls.[45] In response, Ranni provided a set of WSPs on January 30, 2008.[46]

FINRA staff compared the 2006 and 2008 versions of the WSPs.[47] The Firm continued working on the 2008 WSPs simultaneously with the examination.[48] Later in the examination FINRA staff received other versions of the 2008 WSPs.[49] Respondent sent another "working" copy of the 2008 WSPs in March 2008.[50] Eventually, FINRA staff compared five different versions of the Firm's WSPs and discovered that substantively the 2008 WSPs were no different than the 2006 WSPs that had previously been found deficient.[51]

E. The Disciplinary Proceeding

Enforcement filed its Complaint on December 15, 2010, essentially alleging that Respondent had failed to discharge his responsibilities as President and Chief Compliance Officer adequately between mid-October 2007 and April 2008. A Hearing was held over the course of two days, on November 30, 2011, and December 1, 2011, before a three-person panel consisting of a Hearing Officer, a current member of the District 9 Committee, and a former member of the District 10 Committee. Enforcement called two witnesses, both of whom were FINRA examiners who participated in the 2008 examination of Parker. Ranni testified in his defense.

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[45] *Id.*

[46] Hearing Tr. (S. Domasica) 80-81; JX-1 (Jan. 2008 WSPs); Hearing Tr. (C. Ranni) 435.

[47] Hearing Tr. (S. Domasica) 68-71.

[48] Hearing Tr. (C. Ranni), 435, 438, 446-47, 542-44.

[49] Hearing Tr. (S. Domasica) 70-83, 186-87.

[50] Hearing Tr. (S. Domasica) 188, 220; JX-1 (Jan. 2008 WSPs).

[51] Hearing Tr. (S. Domasica) 70-83, 86-113; JX-1 (Jan. 2008 WSPs).

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. FINRA Has Jurisdiction

FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the Complaint was filed within two years after termination of Respondent's registration with a FINRA member firm,[52] and the Complaint charges him with misconduct that occurred while he was associated with a FINRA member firm.

B. Respondent Failed To Establish And Maintain Adequate WSPs (In Violation Of NASD Rules 3010 and 2110)

(1) *NASD Rules 3010 and 2110*

NASD Rule 3010(a) requires that a firm adopt Written Supervisory Procedures as part of a comprehensive system of supervision that is "reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules." NASD Rule 3010(b)(1) specifies:

> Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.

Broadly speaking, WSPs are a written set of policies and procedures that every broker-dealer firm is required to create, maintain, update, and adhere to.[53] They describe concrete steps to supervise a firm's activities, identify who is responsible, set forth what steps are to be taken by whom, and set up a system of documentation.[54] WSPs contribute to ensuring proper supervision of broker-dealer operations, but whether a particular set of written supervisory procedures or a

[52] CX-1 (CRD report dated 5/18/2011).

[53] Clifford Kirsch (ed.), *Broker-Dealer Regulation* (2d ed.) § 6:7.24, p. 6-49.

[54] *Id.*

particular supervisory system is in fact reasonably designed to achieve compliance depends on the facts and circumstances of each case.[55]

NASD Rule 2110 states that "[a] member, in the conduct of [his] business, shall observe high standards of commercial honor and just and equitable principles of trade." It is inconsistent with the duties imposed by Rule 2110 to violate other NASD and FINRA rules.[56] In particular, a violation of NASD Rule 3010 is also a violation of NASD Rule 2110.[57]

(2) *The Firm's WSPs Were Deficient*

Enforcement established that the Firm's 2008 WSPs were woefully lacking, mainly by showing that the WSPs provided in connection with the 2008 examination were substantively no different than the Firm's WSPs in 2006, which had been found materially deficient in connection with a 2006 examination and had been the subject of a Letter of Caution.[58] The 2006 Letter of Caution identified 26 enumerated deficiencies, with some of the items containing more than a dozen subparts identifying more particular deficiencies.[59]

At the outset of the 2008 examination, in January 2008, Respondent provided the Firm's WSPs in electronic form.[60] FINRA staff checked these WSPs using a computerized checklist and a keyword search for common items for the Firm's different business lines. After failing to

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[55] *Dep't of Enforcement v. LegacyTrading Co. LLC*, No. 2005000879302, 2009 FINRA Discip. LEXIS 12, at *55 (NAC Mar. 12, 2009).

[56] "It is well settled that a violation of a rule promulgated by the Commission or by NASD also violates Conduct Rule 2110." *Richard F. Kresge*, Exchange Act Rel. No. 55988, 2007 SEC LEXIS 1407, at *42 (June 29, 2007). For example, a failure to cooperate with an investigation is a violation of both FINRA Rule 8210 and FINRA Rule 2010, the successor to NASD Rule 2110. *See CMG Inst. Trading, LLC*, Exchange Act Rel. No. 59325, 2009 SEC LEXIS 215, at *30 (Jan. 30, 2009). *See also Stephen J. Gluckman*, Exchange Act Rel. No. 41628, 1999 SEC LEXIS 1395, at *22 (July 20, 1999).

[57] *Dep't of Enforcement v. Midas Securities, LLC*, No. 2005000075703, 2011 FINRA Discip. LEXIS 71, at *3 n.2 (NAC Mar. 3, 2011); *Dep't of Enforcement v. Pellegrino*, No. C3B050012, 2008 FINRA Discip. LEXIS 10, at *47 (NAC Jan. 4, 2008).

[58] Hearing Tr. (S. Domasica) 68-83, 90-114.

[59] CX-5 (2006 Letter of Caution).

[60] JX-1 (Jan. 2008 WSPs); CX-7 (2006 WSPs).

locate five different items that should have turned up in the keyword search, the examiner went back to the 2006 WSPs, noted the prior deficiencies, and then searched those individual items to see if the 2008 WSPs had been modified to address the deficient items. The examiner was unable to find any such modifications. [61]

Later, FINRA staff received other versions of the WSPs, including another provided by Respondent in March 2008. The staff eventually made a comparison of the deficient 2006 WSPs to four later versions of the WSPs and found that all five versions of the WSPs were virtually identical.[62] To the extent there were differences, they were largely immaterial differences such as page, font size, and spacing differences.[63] Accordingly, the multiple deficiencies identified in the 2006 Letter of Caution remained deficiencies in the 2008 WSPs.[64]

Additionally, Enforcement showed that changes to the WSPs during Ranni's tenure as CCO were themselves deficient. Enforcement's primary example, which occurred in the first set

[61] Hearing Tr. (S. Domasica) 68-70.

[62] Hearing Tr. (S. Domasica) 70-71, 81-83; Hearing Tr. (S. Nemesure) 374, 376, 383. CX-7 (2006 WSPs); JX-1 (Jan. 2008 WSPs); CX-8 (Oct. 17, 2007 WSPs); CX-10 (Mar. 5, 2008 WSPs); CX-11 (June 18, 2008 WSPs).

[63] Hearing Tr. (S. Domasica) 81-82.

[64] At the Hearing, FINRA staff identified some of the deficiencies that persisted from the 2006 examination into the 2008 examination, including a failure to have in place: procedures for SEC Regulation SP (Hearing Tr. (S. Domasica) 86); supervisory control procedures (Hearing Tr. (S. Domasica) 90-91); procedures for prohibiting payment of commissions to a non-registered entity (Hearing Tr. (S. Domasica) 95); procedures relating to position limits on options and reporting options positions (Hearing Tr. (S. Domasica) 96-97); supervisory procedures governing a branch office that is not managed by a registered options principal (Hearing Tr. (S. Domasica) 97); procedures requiring the compliance registered options principal to furnish reports directly to the broker-dealer's compliance officer (Hearing Tr. (S. Domasica) 97); supervisory procedures addressing written notification to customer of allocation exercise notices (Hearing Tr. (S. Domasica) 98-99); procedures for timely reporting of customer complaints to the main office (Hearing Tr. (S. Domasica) 99-100); designations of the registered principal in charge of each business line of the Firm (Hearing Tr. (S. Domasica) 100-101).

In addition, the Firm failed to designate all of the Firm's principals who were supervisors at the time of the 2008 examination and failed to indicate the date on which each designated principal assumed a supervisory role (Hearing Tr. (S. Domasica) 102-103). Another deficiency concerned new hires and the absence of a procedure to review the Form U5 of a previous employer (Hearing Tr. (S. Domasica) 104-106). The Firm also failed to have procedures in place to cover exception reports (Hearing Tr. (S. Domasica) 106-108). In connection with order tickets, the firm restated the required elements but did not indicate who would be doing what with respect to order tickets or how required information would be captured (Hearing Tr. (S. Domasica) 109-11). The Firm failed to have in place various procedures relating to private placements (Hearing Tr. (S. Domasica) 112-13).

of WSPs provided by Ranni to FINRA staff during the 2008 examination, was that the term NASD had been changed to FINRA, and wherever the term NASDAQ had appeared in the 2006 WSPs the term FINRAQ was substituted.[65] This mistake occurred many times.[66] Respondent acknowledged in testimony at the Hearing that an automated word processing system must have been used to make the change.[67] He said that he did not review the changes in the document before sending it on to FINRA staff.[68]

(3) *Respondent Was Responsible For The Firm's WSPs*

Respondent admitted in his testimony at the Hearing that he was responsible for updating and amending the Firm's WSPs.[69] He was the President and CCO of a small firm of roughly a dozen people, and the organization chart showed that everyone in the hierarchy ultimately reported to him.[70] The Firm identified Ranni as the person responsible for supervision of general compliance and multiple other aspects of the Firm's business – including expressly the WSPs.[71] No one else at the Firm was identified as a compliance officer, and there was no written delegation of responsibility for the WSPs to anyone else at the Firm.[72]

At times during the Hearing, however, Respondent suggested that there was a diffusion of compliance responsibility. He noted that he had tried to "distribut[e]" or "delegate"

[65] Hearing Tr. (S. Domasica) 82-83; JX-1 at 19, 20, 21, 23, 24, 25, 26, 27, 29, 49, 80, 87, and 90 of 98.

[66] *Id.*

[67] Hearing Tr. (C. Ranni) 447.

[68] Hearing Tr. (C. Ranni) 514-15.

[69] Hearing Tr. (C. Ranni) 469, 529-30. Respondent was asked, "You knew because you were CCO that it was your responsibility to make sure that the firm had adequate written supervisory procedures regardless of who had written them before; is that right?" He responded, "That is right." Hearing Tr. (C. Ranni) 520.

[70] Hearing Tr. (S. Nemesure) 341-42; CX-13 (Organization Chart).

[71] Hearing Tr. (S. Domasica) 133-34; CX-16 at 16 of 19.

[72] Hearing Tr. (S. Domasica) 398-99.

compliance responsibility to others in the Firm located at the branches.[73] He suggested that others had more retail experience than he and that he relied upon them to perform compliance functions.[74] Sometimes he indicated that he relied upon his predecessor as CCO.[75]

Regardless of such suggestions, as the Chief Compliance Officer (and as the person expressly designated as the principal responsible for the WSPs) Respondent bore ultimate responsibility for the establishment, maintenance, and enforcement of the WSPs.[76] Moreover, Respondent's own testimony demonstrated that during the Relevant Period (from October 2007 to April 2008) he was actually the person in charge of the WSPs. Respondent provided the first set of current WSPs to FINRA staff in January 2008. He testified that he made changes in January 2008 without consulting anyone at the Firm.[77] A month or so after the 2008 examination began, in early March 2008, Respondent sent the WSPs to personnel at the branches to seek their suggestions for revisions.[78] He received suggested revisions from his predecessor as CCO but admitted that he did not incorporate those suggestions into the WSPs.[79] In April 2008, Respondent engaged outside help with the WSPs, and he and another senior manager met

[73] Hearing Tr. (C. Ranni) 429-31, 446, 543-44. In his On-The-Record ("OTR") testimony, Respondent was blunter. He described the changes he made in the Firm's compliance system as "dumping" responsibility on the branches. Hearing Tr. (C. Ranni) 476-78; CX-31 at 21-22.

[74] *Id*.

[75] Hearing Tr. (C. Ranni) 430-31.

[76] Hearing Tr. (S. Nemesure) 291 ("[Respondent was s]upposed to revise the firm's Written Supervisory Procedures. That was his job as chief compliance officer."). A Chief Compliance Officer is the officer of a broker-dealer who is designated as having overall responsibility for the firm's compliance efforts. Clifford Kirsch (ed.), *Broker-Dealer Regulation* (2d ed.) § 6:7.24, p. 6-45. Respondent himself testified that he knew that it was his responsibility as CCO to make sure that the Firm had adequate WSPs, regardless of who had written them before. Hearing Tr. (C. Ranni) 520. *See also* Hearing Tr. (C. Ranni) 469.

[77] Hearing Tr. (C. Ranni) 542.

[78] Hearing Tr. (C. Ranni) 542-43.

[79] Hearing Tr. (C. Ranni) 511-12.

with the consultants three times.[80] There was no evidence that anyone but Respondent controlled the WSPs and the revision process during the Relevant Period.

4. *The WSPs Were Deficient Because Respondent Failed To Perform His Duties Reasonably*

Respondent's testimony at the Hearing makes plain that the 2008 WSPs were deficient precisely because Respondent failed to perform his duties as CCO in a reasonable manner and misjudged the adequacy of the WSPs. Ranni testified at the Hearing that he was "comfortable" with the Firm's existing WSPs in a broad sense.[81] He performed almost no due diligence on the WSPs, however, to achieve that "comfort." After discussing the WSPs with his predecessor and hearing that everything was fine,[82] he scanned the WSPs and read the headings.[83] He admitted that he did not read every word or every line.[84] Respondent candidly testified that he had little interest in being CCO and that he found it difficult to fill out the forms on-line and understand the changes in requirements that had come into play during the interim that he was away from the Firm.[85]

Respondent did not focus on the WSPs until January 2008, when FINRA staff requested them in the context of the 2008 examination.[86] He then saw that there were just Xs in the document where people should have been designated by name and title as holding certain responsibilities, along with the date they assumed those responsibilities and the licenses they

[80] Hearing Tr. (C. Ranni) 524-25.

[81] Hearing Tr. (C. Ranni) 527-30. At another point, Respondent was asked, "When you did that review initially, were you satisfied that they [the WSPs] complied with NASD rules?" He responded, "Yes." Hearing Tr. (C. Ranni) 475-76.

[82] Hearing Tr. (C. Ranni) 516-17.

[83] Hearing Tr. (C. Ranni) 458, 460, 476.

[84] Hearing Tr. (C. Ranni) 458, 529.

[85] Hearing Tr. (C. Ranni) 427-28, 463, 465.

[86] Hearing Tr. (C. Ranni) 434-35, 542-44.

carried.[87] Respondent began working on the WSPs in order to address such immediate issues.[88] He indicated that he also distributed compliance responsibilities to persons "on-site" at the branch offices who he thought were more qualified than he, but other than that he "didn't see any deficiencies within the document."[89]

Even when Respondent made changes to the WSPs, he spent little time on them and was unconcerned with whether the changes made sense, as evidenced by the automated substitution of FINRA for NASD that resulted in replacing NASDAQ with FINRAQ. Respondent said he did not read over the WSPs before sending them to FINRA staff to make sure that the changes made sense.[90]

Respondent attempted to explain or excuse his conduct by asserting that his predecessor as CCO had misled him about the WSPs and that he was unaware of the 2006 Letter of Caution. His predecessor had told him when they discussed the WSPs that they were fine and that the Firm had received a "clean bill of health" in its most recent 2007 options examination.[91] Respondent said he had no reason to distrust this representation.[92]

These circumstances do not absolve Respondent of responsibility. First, when a person becomes CCO, that person cannot simply rely on representations made by the prior CCO. Going

[87] Hearing Tr. (C. Ranni) 434-35, 450.

[88] *Id.*

[89] Hearing Tr. (C. Ranni) 446, 450, 543-44.

[90] Hearing Tr. (C. Ranni) 514-15.

[91] Hearing Tr. (C. Ranni) 462, 546-47.

[92] Hearing Tr. (C. Ranni) 516-17.

forward, it is the new CCO's responsibility to examine the WSPs, form his or her own judgments in light of current operations, and address any deficiencies.[93]

Second, the Letter of Caution was required to be retained in the Firm's books and records for three years, and there is no evidence that it was not in the Firm's files when Respondent became CCO. The Letter of Caution was available to Respondent, and any reasonable review of the Firm's compliance records would have brought it to light. It was Respondent's own lack of diligence that caused him to be unaware of the Letter of Caution.

Third, Respondent did not have to know about the 2006 Letter of Caution or the items identified as deficient in the 2006 WSPs in order to know that the 2008 WSPs were deficient. Inconsistencies and errors were obvious. For example, the WSPs were inconsistent with respect to customer checks, first saying that it was not permissible for Parker to receive customer checks made payable to Parker and yet saying only a couple of paragraphs later that the account opening letter should instruct customers to make their checks payable to Parker.[94] A panel member pointed out the inconsistency and asked Respondent, "How does that work?" Respondent acknowledged, "That doesn't. That is an oversight."[95]

[93] FINRA membership rules require a broker-dealer firm to establish, maintain and enforce supervisory systems in order to achieve compliance with applicable securities laws and FINRA rules. Clifford Kirsch (ed.), *Broker-Dealer Regulation* (2d ed.) § 6:3.22, pp. 6-9 through 6-17. These systems must address a firm's *current* lines of business, structure, and personnel, regardless of the adequacy of the supervisory system and procedures in the past. *Id.* at p. 6-14. As the NASD has explained: "[A] member's supervisory system and written supervisory procedures are not static. Instead, they often become outdated or ineffective as a result of changes in the firm's business lines, products, practices, or new or amended securities laws. Accordingly, it is in the member's best interest to determine whether its previous answers to the basic questions underpinning its supervisory system continue to apply in light of any changes." NASD Notice to Members 05-29 (Apr. 2005) (found in the FINRA on-line manual in Notices for 2005). Accordingly, a new CCO must examine whether a firm's WSPs and practices continue to make sense going forward – regardless of whether the WSPs were adequate in the past.

[94] JX-1 at 67; Hearing Tr. (C. Ranni) 527-29.

[95] Hearing Tr. (C. Ranni) 529.

C. Respondent Failed To Enforce WSPs Governing Private Placements (In Violation Of NASD Rules 3010 And 2110)

NASD Rule 3010 requires not only that WSPs be in place but that they be enforced. The Complaint alleged that Respondent failed to enforce requirements set forth in the Firm's WSPs with respect to private placements of securities exempt from registration.

The WSPs specified, "Offers and sales shall only be made to accredited investors which have been approved by the Compliance Department."[96] The WSPs further specified, "Sales to non-accredited investors shall be an exception rather than the rule and shall be executed only upon prior approval of the CCO."[97] The WSPs defined an accredited investor as a person who had a net worth of more than one million dollars (either individually or jointly with a spouse) and who had a net annual income for each of the last two years of over $200,000 individually or $300,000 jointly with a spouse.[98] The WSPs further expressly stated, "The Chief Compliance Officer … shall be responsible for ensuring the compliance with the above policies and procedures."[99] The WSPs directed the CCO to collect the offering memoranda and a list of all investors and other materials in order to ensure compliance.[100]

One of the examiners testified at the Hearing that he understood these provisions to mean that Ranni, as CCO and the sole person in the Compliance Department, had to approve all investors in any private placement transactions before the transaction took place.[101] The

[96] JX-1 at 49.

[97] JX-1 at 50.

[98] JX-1 at 51.

[99] JX-1 at 52.

[100] *Id.*

[101] Hearing Tr. (S. Nemesure) 297-300.

examiner explained that the WSPs also required Respondent to maintain copies of all private placement memoranda.[102]

Enforcement introduced evidence to show that Respondent failed to enforce these provisions of the Firm's WSPs with respect to a particular private placement referred to as Sonic Mountain.[103] The offering document explained under a heading for suitability standards that the investment involved a high degree of risk, was illiquid, and was suitable only for someone of substantial financial means.[104] A registered representative in the Firm's Long Island branch office sold the Sonic Mountain to six persons in January and February 2008 without obtaining preapproval from Respondent.[105] Respondent did not have any of the records relating to those transactions,[106] and he only learned of the transactions in the course of the FINRA examination.[107] In the examination, FINRA staff received no evidence that Respondent had approved the Sonic Mountain transactions.[108]

The absence of oversight over the private placement transactions concerned the examiners. As Respondent learned at some point, the salesman responsible for the transactions had been placed under heightened supervision by two states in connection with private placement transactions.[109] It was questionable whether one of the investors in Sonic Mountain

[102] Hearing Tr. (S. Nemesure) 300.

[103] Hearing Tr. (S. Nemesure) 301-32.

[104] Hearing Tr. (S. Nemesure) 302-303; CX-21 (Sonic Mountain, Inc., Private Placement Memorandum).

[105] Hearing Tr. (S. Nemesure) 302-22, 337-39.

[106] Hearing Tr. (S. Nemesure) 319-20.

[107] Hearing Tr. (S. Nemesure) 319-22; Hearing Tr. (C. Ranni) 442.

[108] Hearing Tr. (S. Nemesure) 331-32.

[109] Hearing Tr. (C. Ranni) 499-502.

was accredited and whether the investment was suitable for her.[110] In the course of the investigation, when questions were raised about this elderly investor's suitability to invest in Sonic Mountain, the investor's money was returned to her.[111]

However, regardless of whether the elderly investor was or was not qualified, the evidence clearly showed that Respondent did not follow the private placement preapproval procedures contained in the WSPs. Respondent himself testified that he did not review any of the six investments in Sonic Mountain before the transactions occurred.[112] Accordingly, the record firmly establishes that Respondent failed to enforce the provisions of the WSPs regarding the CCO's pre-approval of private placement transactions with respect to the Sonic Mountain transactions. This failure violated NASD Rules 3010 and 2110.

D. Respondent Failed To Establish, Maintain And Enforce Written Supervisory Control Procedures (In Violation Of NASD Rules 3012 And 2110)

(1) *NASD Rule 3012(a)(1) Requires That A Member Firm Have Written Supervisory Control Procedures To Test And Verify That Its Supervisory Procedures Are Reasonably Designed To Achieve Compliance*

NASD Rule 3012(a)(1) requires that every member firm shall designate one or more principals to establish, maintain, and enforce written supervisory control procedures to test and verify that the firm has supervisory procedures in place that are reasonably designed to achieve

[110] Hearing Tr. (S. Nemesure) 310-11; CX-23 (Jan. 27, 2008 Individual Questionnaire). The investor was an 81-year-old woman whose income in the preceding two years did not exceed $50,000 according to one entry in a form she filled out. Hearing Tr. (S. Nemesure) 308. Inconsistently, the next entry on the form stated that her expected annual income for the next year exceeded $50,000. Hearing Tr. (S. Nemesure) 310-12. Her new account statement, which was filled out less than three months before she made the Sonic Mountain investment, stated that her annual income was in a range of $25,000-$39,000 and her net worth in a range of $65,000-$124,999. Hearing Tr. (S. Nemesure) 333-34; CX-24 (Nov. 10, 2007 New Account Approval Form). In another inconsistency, the new account statement said that her liquid net worth in a range of $125,000-$249,999. *Id.* Such inconsistencies in the customer's account statements might have caused Respondent to investigate if the pre-approval procedures in the WSPs had been followed.

[111] Hearing Tr. (S. Nemesure) 325-26.

[112] Hearing Tr. (C. Ranni) 504.

compliance with the securities laws and applicable regulations. The designees are required to report annually on the firm's supervisory control system.

NASD Rule 3012(a)(2)(i) lays out specific requirements for the written supervisory control procedures. It requires that a producing manager be reviewed and supervised by an "otherwise independent" person and that the review be alternated with another qualified person every two years. An "otherwise independent" person is defined as someone who does not report either directly or indirectly to the producing manager under review and who is located in a different office than the producing manager. In addition, the "otherwise independent" person must not have supervisory responsibility over the activity being reviewed. That person cannot be directly compensated in whole or in part based on revenues from the reviewed activities.

NASD Rule 3012(a)(2)(ii) provides small firms with an exception to the specific requirements of NASD Rule 3012(a)(2)(i). Notably, this is an exception from the specific procedures (such as the requirement of a two-year rotation between qualified supervisors) – *not* an exception from having any written supervisory control procedures. NASD Rule 3012(a)(2)(ii) is labeled the "Limited Size and Resources" Exception. It provides:

> If a member is so limited in size and resources that there is no qualified person senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to [NASD Rule 3012(a)(2)] (i) above (*e.g.*, a member has only one office or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a principal who is sufficiently knowledgeable of the member's supervisory control procedures, provided that the reviews are in compliance with (i) to the extent practicable.

(2) *Respondent's Firm Had No Written Supervisory Control Procedures*

In connection with the 2008 examination, when FINRA staff asked for the Firm's written supervisory control procedures, Respondent told the staff that he thought the control procedures

were in the WSPs.[113] However, the 2008 WSPs contained no supervisory control procedures.[114] This was a repeat deficiency from the 2006 examination.[115]

(3) ***Respondent Was Responsible For The Firm's Written Supervisory Control Procedures, And The "Small Firm" Exemption Did Not Relieve The Firm Of The Requirement To Have Them***

In the course of the 2008 examination, the Firm expressly identified Respondent as the person responsible for the Firm's written supervisory control procedures.[116] At the Hearing, Respondent did not dispute his responsibility, but, rather, claimed that he relied on an exemption applicable where one person serves as both the firm's president and chief compliance officer.[117]

As discussed above, it is plain on the face of the applicable FINRA Rule (sometimes referred to as the "small firm" exemption) that the exemption does not relieve a firm from the requirement to have written supervisory control procedures. FINRA Rule 3010(a)(1) imposes the general requirement to have written supervisory control procedures and to test and verify those procedures on a regular basis. The "small firm" exemption merely relieves a firm from the specific requirements of FINRA Rule 3010(a)(2)(i) to the extent that the specific requirements are not practical and appropriate to that particular firm.[118]

In his defense, Ranni offered a portion of a Notice To Members ("NTM") into evidence,[119] testifying that he relied upon it for his understanding of the "small firm"

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[113] Hearing Tr. (S. Domasica) 115-17; CX-18 (email dated March 6, 2008 from Ranni to FINRA staff).

[114] *Id.* *See also* Hearing Tr. (S. Nemesure) 290.

[115] Hearing Tr. (S. Domasica) 84-85, 90-92; JX-1 (Jan. 2008 WSPs); CX-6 (Letter of Caution) at 9-10.

[116] CX-16 at 16 of 19.

[117] Hearing Tr. (C. Ranni) 439.

[118] Notice to Members 06-04 (effective Feb. 14, 2006) (found in the FINRA on-line manual in Notices for 2006). In the course of the 2008 examination, Respondent relied on the "small firm" exemption to argue that he did not have to provide an annual certification of the Firm's supervisory controls. *See* CX-17 (e-mail response dated February 13, 2008 to FINRA staff inquiries) at 2 of 3.

[119] CX-40 (NTM 06-04).

exemption.[120] The excerpt, however, does not support Respondent's view of the exemption. That excerpt describes NASD Rule 3012 as requiring members to have a system of supervisory control policies and procedures that tests and verifies that a member's supervisory procedures are reasonably designed to achieve compliance. According to the excerpt, generally only a person senior to or otherwise independent of a producing manager may conduct the producing manager's day-to-day supervisory reviews. The excerpt from NTM 06-04 further notes that NASD Rule 3012 provides an exception for any member firm that is so limited in size and resources that it does not have sufficient senior or independent persons to meet that general requirement. This so-called small firm exception allows a firm of limited size and resources to apply different procedures as appropriate to its circumstances. The excerpt does *not* say that *no* written supervisory control procedures are required. The complete NTM confirms that the small firm exemption does not relieve a firm from having any control policies and procedures at all. It states that "Rule 3012's 'limited size and resources' exception addresses who may conduct a producing manager's supervisory review." It does not address whether some sort of supervisory control procedures must be maintained.[121]

[120] Hearing Tr. (C. Ranni) 471-75.

[121] At the Hearing, the NTM was not identified as an excerpt. After the Hearing, Enforcement filed a motion to have the entire Notice To Members entered into evidence and argued that the missing portion cuts against any argument that Respondent's interpretation of the Notice was reasonable. Respondent opposed the motion to supplement the evidence.

In any event, the Hearing Officer notes that generally an adjudicator is entitled to review the entire document that a party relies upon in order to evaluate more accurately the party's interpretation and use of that document and to prevent a misleading impression from being created. Federal Rule of Evidence 106, for example, provides that "[w]hen a writing … or part thereof is introduced by a party, an adverse party may require the introduction at that time of any other part … which ought in fairness to be considered contemporaneously with it." In this case, the fact that the complete document was not presented at the Hearing is of no consequence. It is not unfair or prejudicial to Respondent for the Hearing Panel to consider the entire document. Enforcement's motion is granted and the complete Notice To Members is admitted as Exhibit CX-40.

IV. SANCTIONS

A. Sanction Guidelines

The FINRA Sanction Guidelines ("Sanction Guidelines") for a failure to have adequate Written Supervisory Procedures in violation of NASD Rule 3010 and FINRA Rule 2010 (the successor to NASD Rule 2110 in issue here) vary widely. The Sanction Guidelines suggest a range of monetary sanctions from $1000 to $25,000.[122] In egregious cases, the Sanction Guidelines suggest considering a suspension of the responsible individual in any capacity for as much as a year.[123] Two considerations are identified as particularly pertinent: whether the deficiencies in the WSPs allowed violations to occur or to escape detection, and whether the deficiencies made it difficult to identify who was responsible for specific areas of supervision or compliance.[124] By analogy, these Sanction Guidelines are also appropriate for the failure to have written supervisory control procedures and the failure to enforce the WSPs that the Firm did have.

The Principle Considerations for sanctions in all cases apply across the board to all of the violations charged here. An overarching principle is that the sanction should be remedial, not punitive.[125] A sanction is intended to deter misconduct by the respondent and others in the industry and to improve overall business conduct with the ultimate goal of protecting investors.[126] Adjudicators are counseled always to consider a respondent's disciplinary history and to consider escalating the severity of the sanction where the respondent is a recidivist.[127]

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[122] FINRA Sanction Guidelines (2011), available at www.finra.org/oho (then follow "Enforcement" hyperlink to "Sanction Guidelines") at 104.

[123] *Id.*

[124] *Id.*

[125] Sanction Guidelines at 2, General Principle # 1.

[126] *Id.*

[127] Sanction Guidelines at 2, General Principle # 2.

The sanction should be tailored to the nature of the misconduct.[128] It may be appropriate to impose a single sanction for several violations in the aggregate where they represent a single systemic failure or where the misconduct is unintentional or negligent rather than fraudulent.[129]

B. Respondent Is Suspended From Acting In A Supervisory Capacity For Eight Months And Fined A Total Of $7,000

(1) *Unitary Sanctions Are Appropriate*

Enforcement broke down the requested sanctions, requesting a separate suspension and fine for each of the three violations. In total, Enforcement requested a supervisory suspension for a total of eight months and a fine of $20,000.

The Hearing Panel has determined to impose a sanction for all the violations here in the aggregate, because the violations were negligent rather than fraudulent and, in addition, the violations resulted from essentially the same careless conduct.[130] The WSPs were deficient because Respondent failed to pay more than cursory attention to them when he became CCO and was still not sufficiently focused on them even when the 2008 cycle examination was underway. The WSPs lacked any written supervisory control procedures for the same reason. Respondent's failure to enforce the supervisory procedures for private placements that were contained in the WSPs is a somewhat different type of violation, but it also arises from an overall carelessness with respect to the WSPs and supervisory procedures.

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[128] Sanction Guidelines at 3, General Principle # 3.

[129] Sanction Guidelines at 4, General Principle # 4 (application of a unitary sanction may be appropriate if the violations were negligent rather than fraudulent or if the violations resulted from a single systemic problem or cause).

[130] *Dep't of Enforcement v. Conway*, E102003025201, 2010 FINRA Discip. LEXIS 27, at * 53 (NAC Oct. 26, 2010) ("The Guidelines permit the 'batching' of violations for purposes of determining sanctions in disciplinary proceedings where the violations result from a single systemic problem or cause."); *Dep't of Enforcement v. Trende*, 2007008935010, 2011 FINRA Discip. LEXIS 54, at *15 (OHO Oct. 4, 2011) ("Because Respondent's violations 'stem from a single source,' it is appropriate to impose a single, unitary sanction.").

(2) *The Misconduct Was Serious, But Not Egregious*

This case requires a careful balancing to ensure that the sanctions are remedial and not punitive. Although Respondent displayed a high degree of carelessness in his role as CCO, he began to take action once he became aware of problems. He made some revisions to the WSPs when he recognized problems, as when he saw that Xs needed to be replaced with the names and titles of persons bearing certain compliance responsibilities. He also was involved in hiring consultants to assist in correcting the deficiencies and in looking for someone else to serve as CCO. These circumstances indicate that the violations arose out of negligence, not intentional misconduct.

Furthermore, Respondent had been in the position of CCO for only a short time, a little over two months, when FINRA staff announced that the 2008 cycle examination would begin at the end of January 2008. Although there were multiple deficiencies in the WSPs that had existed since the prior 2006 cycle examination, Respondent was not responsible for those deficiencies prior to becoming CCO. His violations occurred over a much shorter period.

The Hearing Panel considered the two particular inquiries suggested by the applicable Sanction Guidelines for this type of violation. With respect to the first inquiry, the record showed that one unaccredited investor may have purchased an interest in a risky private placement that was not suitable for her,[131] but there was no evidence that any other violations resulted from the Respondent's failure to follow the preapproval procedures contained in the Firm's WSPs. The Hearing Panel noted that over time there would have been a potential for other violations to result from the failure to have adequate WSPs and the failure to enforce the WSPs as written, but the Relevant Period in this proceeding was limited to a few months. As to the second inquiry, the absence of adequate WSPs did not make it difficult to know who was

[131] Unsuitability was not conclusively proven, but after the inconsistent entries on the documents related to the investment came to light, the investor's funds were returned. Hearing Tr. (S. Nemesure) 325-26.

responsible for what in connection with the Firm's supervisory and compliance systems. The Firm was small and the organizational chart made plain that everyone ultimately reported to Ranni. In fact, at some point just prior to or early in the course of the examination, Ranni corrected the WSPs to identify specifically the responsibilities of various persons in the Firm for compliance and supervision. These designations only confirmed that ultimate responsibility resided with Respondent.

(3) ***Respondent's Past Disciplinary History Is An Aggravating Factor, But It Does Not Warrant The "Stringent" Sanctions Sought By Enforcement***

Enforcement argues that the sanctions should be "stringent" because Respondent is a "recidivist."[132] In spring of 2006 Respondent settled failure-to-supervise charges while at another firm.[133] Enforcement relies on four NAC and Hearing Panel decisions in support of its request for more stringent sanctions.[134] Those decisions, however, involved respondents with far more extensive disciplinary histories than Respondent here, and respondents who, unlike Respondent here, engaged in purposeful misconduct that they attempted to conceal. The totality of the circumstances in those cases conveyed a sense of long-standing, intentional flouting of regulatory oversight, which warranted stern measures to deter future violations. [135]

[132] Hearing Tr. (Enf. Closing) 562.

[133] Respondent has not finished paying the $7,500 fine. Hearing Tr. 506-07; CX-1 at 22-25. Enforcement also argues that Respondent's failure yet to pay the entire fine imposed in the prior proceeding is evidence of a failure to take his compliance responsibilities seriously. However, the evidence as to why part of the fine was still outstanding was inconclusive.

[134] *Dep't of Enforcement v. CMG Institutional Trading, LLC*, No. 2006006890801, 2010 FINRA Discip. LEXIS 7 (NAC May 3, 2010); *Dep't of Enforcement v. Gallagher*, No. 2008011701203, 2011 FINRA Discip. LEXIS 40 (OHO June 13, 2011); *Dep't of Enforcement v. Legacy Trading Co., LLC*, No. 2005000879302, 2009 FINRA Discip. LEXIS 12 (NAC Mar. 12, 2009); *Dep't of Enforcement v. Stonegate Partners, LLC*, No. E11200500203, 2008 FINRA Discip. LEXIS 26 (OHO May 15, 2008).

[135] *Dep't of Enforcement v. Charles*, 2008016036901, 2010 FINRA Discip. LEXIS 40, at *15-16 (OHO Nov. 3, 2010) ("[T]he determination of the appropriateness of sanctions depends upon the particular facts and circumstances of each case. It is inappropriate to base sanctions upon those imposed in other cases….").

(4) *An Eight-Month Supervisory Suspension And A $7,000 Fine Are Appropriately Remedial*

The Hearing Panel believes it appropriate to suspend the Respondent from acting in a supervisory capacity for eight months and to impose a fine of $7,000. In the aggregate, these sanctions are roughly in the mid-range of the sanctions suggested by the Sanctions Guidelines, with the suspension closer to the maximum suggested suspension and the fine closer to the low end of suggested fines. As is apparent from the Sanction Guidelines, which suggest a suspension of up to a year in egregious cases, an eight month supervisory suspension is a substantial sanction. Although the Hearing Panel did not find this to be an egregious case, the high degree of carelessness displayed by Respondent warrants such a substantial sanction. It is important to deter Respondent and others from taking on compliance duties if they are unable or unwilling to devote the attention necessary to fulfill them. The lower fine is appropriate to provide a balance and ensure that the focus of the sanction is on remediation and better business conduct in the future.

The sanctions imposed here serve the public interest by encouraging future compliance without being punitive, excessive, or oppressive. The sanctions meet the statutory standard, as articulated by the SEC in *Robert E. Strong*, Exchange Act Rel. No. 57428, 2008 SEC LEXIS 467, at *48 (Mar. 4, 2008) (although conduct was not egregious, CCO demonstrated "troubling inattention" that led to violations, and substantial sanctions served remedial purpose of deterring future misconduct).

V. ORDER

Respondent Christopher R. Ranni is suspended from acting in a supervisory capacity for eight months and is ordered to pay a fine of $7,000 for committing the three violations found (failure to establish and maintain adequate Written Supervisory Procedures in violation of NASD Rules 3010 and 2110; failure to enforce Written Supervisory Procedures in violation of those

same NASD Rules; and failure to establish, maintain and enforce written supervisory control procedures in violation of NASD Rules 3012 and 2110). In addition, he is ordered to pay costs in the amount of $4830.25, which includes a $750 administrative fee and the cost of the hearing transcript. These sanctions shall become effective on a date set by FINRA, but not earlier than 30 days after this decision becomes FINRA's final disciplinary action in this proceeding, except that, if this decision becomes FINRA's final disciplinary action, Respondent's suspension shall begin at the opening of business on May 7, 2012, and end on January 6, 2013.

_____

Lucinda O. McConathy
Hearing Officer
For the Hearing Panel

Copies to: Christopher Robert Ranni (via overnight courier and first-class mail)
Joseph J. Ranni, Esq. (via e-mail and first-class mail)
Donald C. Sullivan, Esq. (via e-mail and first-class mail)
Joseph P. Darcy, Esq. (via e-mail and first-class mail)
David R. Sonnenberg, Esq. (via e-mail)