

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042059901**

TO: Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Jose Palacio, Respondent
Investment Company Products/Variable Contracts Representative
CRD No. 1751671

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I, Jose Palacio (“Palacio” or “Respondent”), submit this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Palacio first became associated with a FINRA member firm in 1987, and he received his Series 6 registration in October 1987. During the course of his career in the securities industry, Palacio also obtained his Series 22, 63 and 65 licenses. While in the securities industry, Palacio was associated with two FINRA member firms. From April 2010 through March 2015, Palacio was associated with H.D. Vest Investment Services (“H.D. Vest” or the “Firm”) and registered with FINRA as an Investment Company Products/Variable Contracts Representative. Palacio voluntarily resigned from H.D. Vest in March 2015 and the Firm filed a Uniform Termination Notice for Securities Industry Resignation (Form U5) on behalf of Palacio on March 12, 2015. Palacio is not currently associated with a FINRA member firm, and he does not have any previous disciplinary history. Although Palacio is not currently associated with a FINRA member firm or registered with FINRA, he is subject to the jurisdiction of FINRA pursuant to Article V, Section 4 of FINRA’s By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

OVERVIEW

Palacio, while associated with a FINRA member firm, willfully failed to timely disclose on his Form U4 that he filed a Chapter 7 bankruptcy petition.

FACTS AND VIOLATIVE CONDUCT

Article V, Section 2(c) of FINRA's By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments which must be filed within thirty days after learning of the facts or circumstances giving rise to the amendment. A registered representative has an affirmative obligation to disclose material facts in response to the questions on a Form U4, which include questions regarding bankruptcy filings.

FINRA Rule 1122 provides that: "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

FINRA Rule 2010 provides that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

On November 21, 2011, Palacio, while associated with H.D. Vest, filed a Chapter 7 bankruptcy petition.¹ Palacio, however, willfully failed to timely disclose on his Form U4 that he filed a Chapter 7 bankruptcy petition. This event was not disclosed by Palacio to H.D. Vest within 30 days of the filing, or in response to annual certification forms that Palacio completed at H.D. Vest. Indeed, on September 5, 2012, Palacio signed an "H.D. Vest Advisor Affirmation," pursuant to which he affirmed the following: "*I have reviewed my Advisor Profile and verified all of my information is complete and any changes have been submitted to H.D. Vest. I understand that any changes to my Form U4 information must be reported to FINRA via an update to my Form U4 within 30 days of the event.*" Palacio knew that he was required to notify H.D. Vest that he had filed for bankruptcy because he had previously done so in connection with an earlier bankruptcy filing.

Based on the foregoing facts, Palacio violated FINRA Rules 1122 and 2010, and FINRA By-Laws Article V, Section 2(c).

¹ Case No. 11-32810-RAG, filed in the U.S. Bankruptcy Court for the District of Maryland.

B. I also consent to the imposition of the following sanctions:

A \$5,000 fine and a four-month suspension from association with any FINRA member firm in all capacities.

The fine shall be due and payable either immediately upon reassociation with a member firm following the four-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully omitted to state material facts on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, these omissions make me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

May 8, 2015
Date

Jose L. Palacio
Respondent Jose Palacio

Accepted by FINRA:

July 10, 2015
Date

Signed on behalf of the
Director of ODA, by delegated authority

Michael P. Manly
Michael P. Manly
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expy., Ste. 1050
Dallas, Texas 75248
Phone (972) 716-7612
Fax (972) 701-8554