

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045713302**

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

RE: Charles H. Frieda, Respondent
General Securities Representative
CRD No. 5502319

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I 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

Respondent Charles H. Frieda entered the securities industry in March 2008 when he became associated with a FINRA member firm as a general securities representative. He was continuously in the securities industry since that time. Beginning in October 2012, Frieda became associated with Wells Fargo Clearing Services, LLC (f/k/a Wells Fargo Advisors, LLC) (“Wells Fargo”) as a general securities representative where he remained until his termination on August 22, 2017. Frieda has not re-associated with any FINRA member firm since. However, pursuant to Article V, Section 4 of FINRA’s By-Laws, FINRA retains jurisdiction over Frieda.

OVERVIEW

From November 2012 to October 2015, Frieda recommended an investment strategy that was unsuitable for certain retail customers, in which he recommended an over-concentration in energy-sector securities, some of which were speculative, resulting in significant customer losses. He thereby violated

FINRA Rules 2111 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111 provides in relevant part that associated persons “must have a reasonable basis to believe that a recommended . . . investment strategy involving a security or securities is suitable for the customer, based on the information obtained through reasonable due diligence of the . . . associated person to ascertain the customer’s investment profile.” As explained in the Supplementary Material accompanying the rule, the phrase “investment strategy involving a security or securities” is to be interpreted broadly and includes explicit recommendations to hold a security or securities.

Between November 2012 and October 2015, Frieda and another Wells Fargo representative recommended an investment strategy to more than 50 customers, which was a majority of their customers, causing the customers’ accounts to become significantly over-concentrated in a single sector of the overall market. The over-concentration primarily involved four speculative equity securities within the energy sector. Due to the speculative nature of the recommended securities, the volatility of the energy market, and the high level of concentration, this strategy exposed customers to significant potential losses. In general, based on those recommendations, most of these customers were concentrated in energy-sector investments, with the majority of those investments concentrated in the four speculative energy securities.

During the relevant period, in many instances, Frieda failed to properly consider and failed to obtain accurate customer investment profile information to determine the suitability of his over-concentration strategy and the securities he recommended as part of that strategy. In this regard, Frieda recommended the strategy to customers without proper consideration of each customer’s individual investment experience, risk tolerance, investment time horizon, net worth, liquidity needs, and income. Consequently, Frieda did not properly assess the significant potential risks associated with his recommended strategy for each of these customers. In certain instances, the potential risks were compounded because the over-concentration in speculative energy-sector securities exceeded 50% of the customer’s net worth (exclusive of personal residence).

In 2015, when the energy market began a downturn, Frieda unsuitably recommended that certain of his over-concentrated customers adhere to his strategy without regard to their particular situations or ability to continue to sustain losses. By following Frieda’s recommendation, the customers suffered millions of dollars in aggregate losses.

By virtue of the foregoing, Frieda violated FINRA Rules 2111 and 2010.

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

A bar from associating with any FINRA member firm in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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).

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 accordance with FINRA Rule 8313;
 - 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.

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; 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.

11-27-2014
Date (mm dd yyyy)


Charles H. Frieda, Respondent

Reviewed by:


A handwritten signature in blue ink that reads "Brian L Rubin" with a horizontal line underneath.

Brian Rubin, Esq.
Eversheds Sutherland
700 6th St., NW
Washington, D.C. 20001

Accepted by FINRA:

12/11/17
Date

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



Gauhar R. Naseem, Senior Counsel
FINRA Department of Enforcement
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