

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Vincent Joseph Storms (CRD No. 4969537),

Respondent.

DISCIPLINARY PROCEEDING
No. 2017053982801

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Vincent Joseph Storms falsified data he submitted to Raymond James & Associates, Inc. (“RJA”) in connection with branch audits that he performed, in violation of FINRA Rule 2010, caused RJA to maintain false books and records, in violation of FINRA Rules 4511 and 2010, and failed to timely appear for on-the record (“OTR”) testimony, in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. Storms entered the securities industry in June 2005 when he became employed with RJA as a compliance intern. From November 19, 2015 through March 24, 2017, Storms was associated with RJA as a compliance associate and registered with FINRA.

3. Storms was last associated with another FINRA member in October 2017. That firm filed a Uniform Termination Notice for Securities Industry Registration for Storms on October 25, 2017, terminating his association with the firm as of October 24, 2017.
4. Although Storms is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Storms's registration with a FINRA member, namely, October 25, 2017; and (2) the Complaint charges Storms with misconduct committed while he was registered or associated with a FINRA member and with failing to timely appear for on-the-record testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FACTS

5. During his association with RJA as a compliance associate, Storms's primary job function was to conduct audits of RJA branch locations and to perform any necessary follow-up work that arose from the audits.

RJA's Branch Audit Process and the Qualtrics System

6. Prior to each branch audit, RJA sent the representatives at the branch an email containing a hyperlink to complete a questionnaire, which asked questions such as whether the representative had any undisclosed outside business activities ("OBA"), undisclosed accounts at other firms, LinkedIn profiles and whether the branch utilized a third party vendor to back up data.

7. Based on the responses to the questionnaire, follow-up work was sometimes required. For example, if a representative responded that he or she had an undisclosed OBA, the compliance associate was required to ascertain the nature of the OBA, have the representative complete necessary request forms and ensure that the firm had approved the OBA prior to the branch audit being marked as complete.
8. Between 2016 and 2017, RJA utilized a software program called Qualtrics in connection with the questionnaires that representatives completed in anticipation of branch audits. The Qualtrics system housed the representatives' responses to the questionnaires.
9. The Qualtrics software automatically generated a numerical value to each questionnaire response in the form of a "1," "2" or "3." A "1" or "3" response did not require follow-up work by the compliance associate because the response was deemed satisfactory, whereas a score of "2" required follow-up as described above.
10. In connection with each branch audit, compliance associates exported data from Qualtrics to a "master copy" Excel spreadsheet.¹ In the exportation process, Qualtrics automatically populated the spreadsheet with scores that corresponded to the questionnaire responses (*i.e.*, 1, 2 or 3).
11. While the data in Qualtrics could not be altered, the master copy spreadsheet with the exported Qualtrics data could be adjusted to reflect the follow-up and resolution for scores of 2 prior to completion of the audit.

¹ The "master copy" Excel spreadsheet contained the Qualtrics data for all branch audits conducted by all firm compliance associates for that year.

12. After any changes were made to the exported spreadsheet for follow-up that was required, the portion of the master copy spreadsheet pertaining to that branch was submitted to the firm with a summary to close out the audit.

Storms Altered Qualtrics Data After Exporting it to the Master Copy Spreadsheet

13. In order to avoid and without performing any requisite follow-up generated from scores of 2 for audits that Storms conducted, he altered the Qualtrics data after exporting it for numerous branches.
14. Specifically, for audits Storms performed between March 2016 and November 2016, Storms altered data, which he submitted to RJA for 60 branch audits.
15. Storms altered the Qualtrics data by changing scores of 2 to scores of 1 or 3 on the master copy spreadsheet and deleted comment fields associated with scores² of 2 for 145 RJA representatives' questionnaires, totaling 524 questions.

FIRST CAUSE OF ACTION
(Falsifying Branch Audit Data - FINRA Rule 2010)

16. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.
17. A registered person's submission of false firm documents is conduct inconsistent with FINRA Rule 2010's requirement that all individuals associated with FINRA member firms observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

² For example, if the branch utilized a third party vendor, the questionnaire requested that the representative identify the vendor to ensure that it was an RJA approved vendor. In these instances, Storms changed scores of 2 to scores of 1 or 3 and deleted the name of the identified vendor on the spreadsheet.

18. The aforementioned 60 spreadsheets that Storms submitted to RJA were false because they inaccurately reflected scores of 1 or 3 instead of scores of 2, and because they deleted comments associated with scores of 2 that would have reflected follow-up work that Storms was required to perform.
19. By falsifying the Qualtrics data after he exported it and by submitting the falsified data to RJA, Storms's actions were inconsistent with high standards of commercial honor and just and equitable principles of trade.
20. By reason of the foregoing conduct, Storms violated FINRA Rule 2010.

SECOND CAUSE OF ACTION

(Causing False Books and Records of a Member Firm - FINRA Rules 4511 and 2010)

21. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.
22. FINRA Rule 3110 requires member firms to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."
23. FINRA Rule 3110(c)(1) requires firms to conduct periodic reviews "to assist the member in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable FINRA Rules." Such reviews must be reduced to writing and maintained by the member firm for a certain period of time.

24. FINRA Rule 4511 requires member firms to “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.”
25. Causing a firm to make and preserve false or inaccurate books and records is a violation of FINRA Rule 4511.
26. A violation of FINRA Rule 4511 is a violation of FINRA Rule 2010.
27. By falsifying the Qualtrics data after he exported it and by submitting the falsified data to RJA, Storms caused RJA to make and preserve false and inaccurate books and records.
28. By reason of the foregoing conduct, Storms violated FINRA Rules 4511 and 2010.

THIRD CAUSE OF ACTION

(Failure to Timely Appear for On the Record Testimony - FINRA Rules 8210 and 2010)

29. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.
30. FINRA staff sought to take Storms’s OTR in connection with this matter. On September 19, 2017, FINRA staff sent Storms a letter pursuant to Rule 8210, scheduling his OTR in the Florida District Office on November 7, 2017. FINRA staff sent the letter to Storms at his residential address as reflected in the Central Registration Depository.
31. FINRA staff transmitted the letter via first class and certified mail. The United States Postal Service did not return the first class copy and Storms’s mother received and signed for the certified copy on September 26, 2017.

32. On November 1, 2017, Storms contacted FINRA staff by telephone, wherein he acknowledged that he had received the letter scheduling the OTR, and stated that he would appear on the scheduled date and time.
33. Despite this communication, On November 7, 2017, Storms failed to appear for the OTR.
34. On November 7, 2017, FINRA staff sent Storms another letter pursuant to Rule 8210, scheduling his OTR in the Florida District Office on December 5, 2017. FINRA staff sent the letter to Storms at his residential address as reflected in the Central Registration Depository.
35. FINRA staff transmitted the letter via first class and certified mail. The United States Postal Service did not return the first class copy and the certified copy was delivered and signed for on November 13, 2017.
36. On December 5, 2017, Storms failed to appear for the second OTR.
37. On January 10, 2018, Storms contacted FINRA staff by telephone and stated that he was willing to appear for an OTR.
38. While Storms ultimately appeared for an OTR on February 12, 2018, his failure to appear for the first two OTRs impeded the staff's investigation by causing unnecessary delay.
39. By reason of the foregoing conduct, Storms violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: January 31, 2019



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