

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2017056432603**

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

RE: Christopher G. Orlando (Respondent)  
Former General Securities Representative  
CRD No. 4136262

Pursuant to FINRA Rule 9216, Respondent Christopher G. Orlando submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent hereby accepts and consents, 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**

Orlando first registered with FINRA as a General Securities Representative (GS) through a member firm in December 2002. Between July 2015 and November 2016, Orlando was registered with FINRA as a GS through former member firm Legend Securities, Inc. (CRD No. 44952) (Legend). Between November 2016 and December 2019, Orlando was registered as a GS through Worden Capital Management LLC (CRD No. 148366) (WCM). Most recently, Orlando was registered as a GS and Investment Banking Representative through another member firm between January 2020 and May 2021.

Although Orlando is not currently registered or associated with a FINRA member firm, FINRA retains jurisdiction over him pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

**OVERVIEW**

From October 2015 through December 2018, while registered through Legend and then WCM, Orlando excessively traded 13 accounts of 12 customers in violation of FINRA Rules 2111 and 2101.

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<sup>1</sup> For more information about the respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 2111(a) provides in pertinent part that “[a] member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” As explained in the Supplementary Material found at 2111.05(c):

Quantitative suitability requires a member or associated person who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated in Rule 2111(a). No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer’s account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.<sup>2</sup>

Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account has to appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. An annualized turnover rate of six or an annualized cost-to-equity ratio above 20 percent generally indicates that excessive trading has occurred.

A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010, which requires associated persons to act with high standards of commercial honor and just and equitable principles of trade.

During the relevant period, Orlando engaged in quantitatively unsuitable trading in 13 customer accounts held by a total of 12 customers (one customer held two accounts). Orlando recommended high frequency trading in the 13 customer accounts, and he often recommended the sale of one security and the simultaneous investment of the sale proceeds into a new security within short time periods. Orlando’s customers routinely followed his recommendations and, as a result, Orlando exercised *de facto* control over the customers’ accounts.

Orlando’s trading of the 13 accounts resulted in high turnover rates and cost-to-equity ratios as well as significant losses, as set forth below.

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<sup>2</sup> FINRA Rule 2111 was amended effective June 30, 2020. The quoted excerpt is from the pre-June 30, 2020 version which applies to the conduct at issue here.

1. From November 2016 to September 2017, Orlando effected 313 trades in Customer 1's account, resulting in a turnover rate of 23.04 (equivalent to an annualized turnover rate of 25.13) and a cost-to-equity ratio of 94.57% (equivalent to an annualized cost-to-equity ratio of 103.17%).<sup>3</sup> Orlando's trading in Customer 1's account generated total trading costs of \$236,735, including \$205,557 in commissions and \$22,601 in margin interest, and caused \$118,490 in realized losses.
2. From October 2017 to August 2018, Orlando effected 29 trades in Customer 2's account, resulting in a turnover rate of 34.57 (equivalent to an annualized turnover rate of 37.72) and a cost-to-equity ratio of 164.65% (equivalent to an annualized cost-to-equity ratio of 179.62%). Orlando's trading in Customer 2's account generated total trading costs of \$14,293, including \$10,175 in commissions and \$429 in margin interest, and caused \$34,983 in realized losses.
3. From February 2016 to November 2016, Orlando effected 50 trades in Customer 3's account, resulting in a turnover rate of 46.99 (equivalent to an annualized turnover rate of 56.39) and a cost-to-equity ratio of 179.67% (equivalent to an annualized cost-to-equity ratio of 215.61%). Orlando's trading in Customer 3's account generated total trading costs of \$16,345, including \$13,565 in commissions and \$320 in margin interest, and caused \$12,799 in realized losses.
4. From January 2016 to November 2016, Orlando effected 42 trades in Customer 4's account, resulting in a turnover rate of 43.04 (equivalent to an annualized turnover rate of 46.95) and a cost-to-equity ratio of 170.59% (equivalent to an annualized cost-to-equity ratio of 186.10%). Orlando's trading in Customer 4's account generated total trading costs of \$14,524, including \$12,055 in commissions and \$403 in margin interest, and caused \$14,816 in realized losses.
5. From October 2016 to November 2018, Orlando effected 84 trades in Customer 5's account, resulting in an annualized turnover rate of 27.46 and an annualized cost-to-equity ratio of 125.67%. Orlando's trading in Customer 5's account generated total trading costs of \$53,118, including \$45,767 in commissions and \$3,590 in margin interest, and caused \$34,216 in realized losses.
6. From January 2017 through December 2018, Orlando effected 95 trades in Customer 6's account, resulting in an annualized turnover rate of 30.10 and an annualized cost-to-equity ratio of 139.85%. Orlando's trading in Customer 6's account generated total trading costs of \$64,647, including \$57,052 in commissions, and caused \$32,335 in realized losses.
7. From April 2016 to December 2018, Orlando effected 76 trades in Customer 7's account, resulting in an annualized turnover rate of 6.15 and an annualized cost-to-equity ratio of 26.12%. Orlando's trading in Customer 7's account generated

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<sup>3</sup> For accounts with trading activity of less than one year, this AWC includes both the actual turnover rate and cost-to-equity ratio, in addition to the annualized figures.

total trading costs of \$35,954, including \$30,576 in commissions, and caused \$47,377 in realized losses.

8. From February 2016 to February 2017, Orlando effected 76 trades in Customer 8's account, resulting in an annualized turnover rate of 55.80 and an annualized cost-to-equity ratio of 202.11%. Orlando's trading in Customer 8's account generated total trading costs of \$34,935, including \$30,200 in commissions and \$990 in margin interest, and caused \$16,370 in realized losses.
9. From July 2017 to February 2018, Orlando effected 27 trades in Customer 9's account, resulting in a turnover rate of 53.22 (equivalent to an annualized turnover rate of 79.83) and a cost-to-equity ratio of 249.80% (equivalent to an annualized cost-to-equity ratio of 374.70%). Orlando's trading in Customer 9's account generated total trading costs of \$13,390, including \$10,330 in commissions and \$225 in margin interest, and caused \$15,777 in realized losses.
10. From September 2016 through January 2018, Orlando effected 61 trades in Customer 10's account, resulting in an annualized turnover rate of 35.32 and an annualized cost-to-equity ratio of 165.57%. Orlando's trading in Customer 10's account generated total trading costs of \$30,641, including \$26,866 in commissions and \$1,304 in margin interest, and caused \$28,018 in realized losses.
11. Customer 11 maintained two accounts with Orlando, referred to here as Account A and Account B.
  - A. From October 2015 to February 2018, Orlando effected 66 trades in Customer 11's Account A, resulting in an annualized turnover rate of 21.82 and an annualized cost-to-equity ratio of 105.72%. Orlando's trading in Customer 11's Account A generated total trading costs of \$20,344, including \$16,978 in commissions and \$654 in margin interest, and caused \$15,378 in realized losses.
  - B. From August 2016 to December 2017, Orlando effected 63 trades in Customer 11's Account B, resulting in an annualized turnover rate of 9.89 and an annualized cost-to-equity ratio of 43.62%. Orlando's trading in Customer 11's Account B generated total trading costs of \$29,523, including \$26,381 in commissions, and caused \$49,708 in realized losses.
12. From January 2017 to December 2018, Orlando effected 41 trades in Customer 12's account, resulting in an annualized turnover rate of 18.63 and an annualized cost-to-equity ratio of 85.54%. Orlando's trading in Customer 12's account generated total trading costs of \$16,767, including \$11,370 in commissions and \$964 in margin interest, and caused \$63,413 in realized losses.

Orlando's trading in these customers' accounts was excessive and unsuitable given the customers' investment profiles. As a result of Orlando's excessive trading, the customers suffered collective realized losses of \$483,680, while paying total trading costs of \$581,216, including commissions of \$496,872.

Therefore, Orlando violated FINRA Rules 2111 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a bar from associating with any FINRA member in all capacities.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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.

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

## II.

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment 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 its acceptance or rejection.

Respondent further specifically and voluntarily waives 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**

Respondent understands 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 Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 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 its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent 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. Respondent 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 Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

June 21, 2021

Date

*Christopher Orlando*

Christopher G. Orlando  
Respondent

Reviewed by:

*Michael Farkas*

Michael C. Farkas, Esq.  
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Brooklyn, NY 11201  
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Accepted by FINRA:

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

June 30, 2021

Date

*Adam Balin*

Adam H. Balin  
Principal Counsel  
FINRA  
Department of Enforcement  
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