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

RE: James A. Parrelly, Respondent  
Registered Representative  
CRD No. 728368  

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondent James A. Parrelly 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 herein.

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

Parrelly entered the securities industry in December 1980 and became registered as a General Securities Representative with a FINRA member firm in April 1981. Parrelly was registered with numerous FINRA member firms in various capacities from 1981 through March 2015, when he became registered with Investment Planners, Inc. (“Investment Planners” or “the firm”). Parrelly remains registered with Investment Planners.

RELEVANT DISCIPLINARY HISTORY

On December 11, 2006, an Order accepting Parrelly’s Offer of Settlement was issued in Disciplinary Proceeding No. E8A20030338, in which Parrelly consented to findings that he violated NASD Conduct Rules 2110, 2310, and IM-2310. In this action, Parrelly recommended unsuitable Class B share mutual fund transactions and generated unnecessary commissions for a customer between April 16, 2001 and October 11, 2002. Parrelly was fined $5,000, suspended in all capacities for twenty calendar days, and ordered to pay the customer a total of $82,500, pursuant to a written installment agreement he entered into with the customer in November 2005.
OVERVIEW

Between April 2015 and November 2018, Parrelly executed discretionary transactions in the securities account of one customer pursuant to the customer’s prior verbal authorization, but without written authorization from the customer or written approval from Parrelly’s firm. Through this conduct, Parrelly violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 2510(b) provides that registered representatives may not exercise discretionary power in a customer’s account unless the customer has given prior written authorization and the account has been accepted by the representative’s member firm employer in writing as a discretionary account.

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.”

Between April 2015 and November 2018, Parrelly exercised discretion in a customer’s securities account by executing transactions on approximately 100 dates without speaking to the customer on the transaction date and before he executed the transactions. Parrelly had verbal authorization from the customer to exercise discretion in her account; however, Parrelly failed to obtain prior written authorization from the customer and secure the firm’s written approval of his discretionary trading.

By virtue of the foregoing, Parrelly violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

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

1. A suspension from any FINRA member firm in all capacities for 15 business days; and

2. A $ 5,000 fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

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 acceptance or rejection of this AWC.

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 the subject matter thereof in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make any 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: (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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he 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 herein and the prospect of avoiding the issuance of a
Complaint, has been made to induce him to submit this AWC.

\[4/17/20\]

Date

James A. Farnelli
Respondent

Reviewed by:

\[4/22/2020\]

Michael A. Cox, Esq.
Counsel for Respondent
The Mike Cox Law Firm, PLLC
17430 Laurel Park Drive North
Suite 120 E
Livonia, MI 48154

Accepted by FINRA:

\[5/5/2020\]

Date

Sex signed on behalf of the
Director of ODA, by delegated authority

Nicholas A. Jablonski
Principal Counsel
FINRA Department of Enforcement
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