

Disciplinary and Other FINRA Actions

Firms Expelled

ACAP Financial Inc. (CRD #7731, Salt Lake City, Utah) submitted an Offer of Settlement in which the firm was expelled from FINRA membership. Without admitting or denying the allegations, the firm consented to the sanction and to the entry of findings that it engaged and participated in the sales of unregistered securities in transactions not subject to an exemption from the registration requirements. The findings stated that the firm, acting through its president and chief compliance officer (CCO), and its anti-money laundering (AML) compliance officer (AMLCO), facilitated the liquidation of more than 3.3 billion shares of four unregistered microcap stocks that two customers deposited into their firm accounts. The accounts at issue were opened for two corporations by an individual. While the individual was the only authorized contact on both accounts, the firm permitted her husband to exercise control over both accounts and to direct the firm to liquidate unregistered penny stocks in the accounts; but it failed, in the face of “red flags,” to conduct an investigation into the husband. The firm failed to discover the husband’s significant securities-related disciplinary history, which included being barred by the National Association of Securities Dealers (NASD) and being barred by the Securities and Exchange Commission (SEC) from participating in penny stock offerings. The penny stock liquidation activity in the two aforementioned accounts followed the same pattern: The accounts acquired penny stocks or debt instruments that were later converted into purported free-selling shares of penny stocks, the individual and/or her husband liquidated the shares shortly after deposit, and they then wired the proceeds out of their accounts shortly after the sales. Sales of certain of the penny stocks often represented a significant percentage of the stock’s outstanding shares and its daily trading volume. Further, the shares were not registered with the SEC, nor were the sales exempt from registration. From these illicit sales, the individual and her husband generated over \$5 million in proceeds, and the firm collected approximately \$144,010 in commissions.

The findings also stated that the firm failed to establish and implement policies and procedures that could reasonably detect and cause the reporting of suspicious activity. Numerous other firm customers liquidated billions of penny stock shares in transactions that presented numerous red flags, yet the firm often failed to detect the red flags, and even when red flags

Reported for February 2017

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

were detected, it did not take any action to investigate them or determine whether to file a Suspicious Activity Report (SAR). The firm failed to establish, maintain, and enforce a supervisory system and written supervisory procedures (WSPs) that were reasonably designed to achieve compliance with the securities laws and rules. In particular, the firm's WSPs were deficient because they provided insufficient guidance on how and when to conduct an independent searching inquiry into the registration requirements of Section 5 of the Securities Act of 1933 (Securities Act) and its exemptions. The findings also included that the firm and its president and CCO failed to adequately supervise its AMLCO. FINRA found that the firm's AMLCO failed to adequately implement its AML procedures, including failing to conduct due diligence on the firm's customers in the presence of red flags. FINRA also found that the firm's WSPs lacked procedures or guidance to ensure that business-related communications sent from an email account that was used by multiple users identified the name of the person who prepared and transmitted any outgoing communication. ([FINRA Case #2012030459101](#))

UFP, LLC (Funding Portal Org ID #283274, Herndon, Virginia) submitted an AWC in which the firm was expelled from FINRA membership. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it did not have a reasonable basis to believe that certain companies offering securities through its online crowdfunding portal had complied with applicable regulatory requirements of Section 4A(b) of the Securities Act of 1933 and the rules thereunder. The findings stated that the firm reviewed, and in some cases assisted, in the preparation of required paperwork filed with the SEC by 16 different issuers that offered securities through the firm's platform. The firm knew that none of the 16 issuers had filed all of the required disclosures with the SEC. In addition, six of the 16 issuers failed to file the names of all directors and officers of the issuer with the SEC, as required by applicable law.

The findings also stated that the firm did not deny access to its platform to any of the 16 issuers even though each of them had an impracticable business model, oversimplified and overly-optimistic financial forecasts, and other warning signs. Despite being suspicious about the issuers' coincidental \$5 million equity valuations and despite all of the other improbable coincidences, connections and tax problems among the issuers, the firm did not take any steps to deny any of them access to its platform when it had a reasonable basis for believing that the issuers or offerings presented the potential for fraud or otherwise raised concerns about investor protection. The findings also included that the firm included issuer communications on its website that it knew or had reason to know contained untrue statements of material facts or were otherwise false or misleading. FINRA found that the firm did not reasonably supervise its activities or those of its associated persons. ([FINRA Case #2016051563901](#))

Firms Fined

Allstate Financial Services, LLC (CRD #18272, Lincoln, Nebraska) submitted a Letter of Acceptance, Waiver and Consent (AWC) in which the firm was censured and fined \$1,000,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that due to five systemic problems, some of which lasted as long as 15 years, the firm failed to supervise certain communications and transactions, retain certain records, and provide customers with certain required notices and information. The findings stated that the firm omitted approximately 3,500 secondary email accounts from the list of email accounts that it monitored. As a result, the firm did not review approximately 44 million emails, which included approximately 11,000 emails with customers or otherwise relating to the firm's securities business. The firm did not retain the emails relating to its securities business. Those problems occurred because the firm inadvertently did not add the secondary email accounts to the list of email accounts that the firm's email software system monitored, and also because the firm did not employ adequate measures to ensure that its software system captured every relevant email.

The findings also stated that the firm did not adequately supervise the use of several programs used by its registered persons to create consolidated reports, or address them in the firm's WSPs. In addition, the firm did not retain copies of all consolidated reports. Although the firm generally required its registered persons to retain copies of retail communications, it did not adequately instruct its registered persons that its retention policy applied to consolidated reports. As a result, the firm has very few records of consolidated reports that its representatives distributed to customers. The findings also included that the firm's records for customer accounts holding mutual funds and variable products were missing or incomplete, and those accounts were not linked to the firm's software system that generated various notices. As a result, the firm did not verify the identity of certain of those accounts' owners, determine whether recommendations were suitable for those customers, and send required periodic account records and notices explaining the firm's privacy policies to those customers. That problem resulted from several errors. The firm's registered persons had submitted some of the accounts directly to product sponsors, bypassing the firm's systems. That practice violated a policy that the firm did not consistently enforce. Other accounts were transferred to the firm from other firms without being properly documented, and information about other accounts was entered incorrectly, due to manual errors. FINRA found that the firm did not verify the identity of certain of those accounts' owners, determine whether recommendations were suitable for those customers, and send required periodic account records and notices explaining the firm's privacy policies to those customers.

FINRA also found that the firm paid commissions totaling \$587,000 in connection with securities transactions to approximately 4,400 unregistered persons who either were previously registered with the firm or at the time worked for affiliated insurance companies. Most of the payments were trailing commissions that the firm paid to

persons who had been registered with the firm, but no longer were registered when they received the payments. In addition, FINRA determined that the firm incorrectly labeled approximately 2,900 customers accounts as closed due to an error during a system conversion. As a result, those customers did not receive required periodic account records and notices explaining the firm's privacy policies. ([FINRA Case #2015047806501](#))

The Benchmark Company, LLC ([CRD #22982](#), New York, New York) submitted an AWC in which the firm was censured, fined \$25,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that during a review period, all of the intermarket sweep orders the firm routed to one market center were rejected. The findings stated that accordingly, the firm failed to take reasonable steps to establish that the intermarket sweep orders it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS. The findings also stated that the firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in national market system (NMS) stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning SEC Rule 611 of Regulation NMS. ([FINRA Case #2014040559301](#))

BGC Financial, L.P. ([CRD #19801](#), New York, New York) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed, within 10 seconds after execution, to transmit to the over-the-counter (OTC) Reporting Facility (OTCRF) last sale reports of transactions in designated securities, failed to designate through the OTCRF last sale reports as late, and failed to report the correct execution time to the OTCRF in last sale reports of transactions in designated securities. ([FINRA Case #2015046473301](#))

Bridge Capital Associates, Inc. ([CRD #143475](#), Lilburn, Georgia) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it prepared private placement memoranda (PPMs) in connection with real estate private placement offerings; and while the PPMs for each of the offerings disclosed certain compensation paid to an entity owned by firm registered representatives, the PPMs failed to disclose fees paid to this entity prior to the commencement of each offering for tax, legal and real estate consulting. The findings stated the firm was aware of the initial consulting fees paid to the entity owned by the registered representatives in each offering, reviewed the PPMs and provided the PPMs to investors. The findings also stated that the firm failed to ensure that the PPMs contained all material facts including complete disclosures of the initial consulting fees paid prior to the commencement of each offering. ([FINRA Case #2014039283801](#))

Cantor Fitzgerald & Co. (CRD #134, New York, New York) submitted an AWC in which the firm was censured, fined \$35,000, and required to revise its systems and WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that when the firm submitted clients' reserve size orders that contained a "max floor" instruction (requesting that the order display a share quantity in an amount less than the order's full share quantity), the corresponding Order Audit Trail System (OATS) reports the firm submitted contained inaccurate, incomplete or improperly formatted data. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules concerning OATS. The firm's WSPs failed to specify how often its electronic order tickets are compared to its OATS submissions to ensure that the firm is complying with OATS requirements, and failed to specify the steps to be taken to conduct such comparison. ([FINRA Case #2014043820401](#))

Citigroup Global Markets Inc. (CRD #7059, New York, New York) submitted an AWC in which the firm was censured and fined \$850,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to implement a reasonable supervisory system or procedure to ensure that its methodology for verifying trader prices on securities was applied consistently throughout the firm. The findings stated that the firm's product control group verified the accuracy of prices used by its traders when a security did not have an easily identifiable market price. In doing so, the firm's product control group compared the trader's marks to prices derived from market data through a variety of sources, including its market making desks, vendor prices, exchange prices and other internal pricing data. However, the firm's WSPs failed to set forth how the product control group should use this information to conduct its reviews. The firm also lacked systems, procedures and WSPs to monitor the quality of the data it received from outside vendors. Consequently, different departments within the firm separately priced the same securities using the same market data, but applied the data in different ways, resulting in the same hard-to-value securities being priced differently for different purposes. The firm lacked systems and procedures to ensure that the pricing differences were identified and reasonable under the circumstances.

Separately, the findings also stated that the firm's Financial and Operational Combined Uniform Single Report (FOCUS) Haircut System, used to automatically apply haircuts to its mortgage-backed securities (MBS) positions in order to calculate its net capital, at times applied incorrect haircuts to those positions. The FOCUS Haircut System determined the status of each MBS based on information received from various data feeds and then applied the required haircut. The system allowed firm personnel to manually override haircuts applied by the system. However, once an MBS was manually hard-coded by firm personnel, the FOCUS Haircut System continued to apply the hard-coded haircut indefinitely, without any automated notification or reset. As a result, the firm applied incorrect haircuts to certain MBS. In one instance, this caused the firm to overstate its net capital by approximately \$26 million. Similarly, on other occasions, the firm overstated its net capital

by up to \$14.8 million because it applied incorrect haircuts to certain MBS positions. The firm lacked adequate supervisory systems and WSPs for monitoring and reviewing manual overrides in the FOCUS Haircut System. The firm did not require supervisory review of manual overrides either before they were made or after they were made in order to ensure that the haircut being applied continued to be correct. The findings also included that the firm maintained inaccurate books and records, which reflected the inaccurate net capital computations caused by the application of incorrect haircuts to its MBS positions.

FINRA found that for about a 13-year period, the firm also failed to have in place systems and procedures to ensure the accuracy of its stock record. The firm posted bond loan transactions and related repurchase agreements to the same firm account. After the positions were netted together, the stock record incorrectly reflected the firm's inventory in these positions. ([FINRA Case #2012032923301](#))

Citigroup Global Markets Inc. (CRD #7059, New York, New York) submitted an AWC in which the firm was censured, fined \$250,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to submit interest rate reset information for 251,507 weekly-reset variable rate demand obligation (VRDO) securities to the Municipal Securities Rulemaking Board's (MSRB) Short-Term Obligation Rate Transparency (SHORT) System within the time requirements prescribed by MSRB Rule G-34. The findings stated that the firm also failed to submit accurate rate reset dates and times to the MSRB's SHORT System for these VRDO securities. Specifically, the determination dates the firm submitted to SHORT were actually the effective dates for the rates. The findings also stated that the firm failed to submit information to the MSRB's SHORT System regarding the results of 801 interest rate resets for VRDO securities, and failed to report transactions in Trade Reporting and Compliance Engine (TRACE)-eligible agency debt securities to TRACE within the time required by FINRA Rule 6730. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning the accuracy of its submissions to the MSRB's SHORT System. ([FINRA Case #2014041144501](#))

Citi International Financial Services LLC (CRD #17053, San Juan, Puerto Rico) submitted an AWC in which the firm was censured, fined \$5,750,000 and agreed to submit to FINRA, within 180 days of issuance of the AWC, a written certification that the firm has developed and implemented written policies, procedures and internal controls reasonably designed to address its shortcomings. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that its AML program was not reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, including policies and procedures reasonably designed to achieve compliance with those requirements. The findings stated that among other things, despite having conducted substantially all of its business in a geographic region generally considered to present elevated AML risk, and despite having handled a number of customer securities

transactions of a kind often associated with elevated AML risk, the firm relied primarily on manual supervisory review of securities transactions that was not sufficiently focused on AML risks and was otherwise insufficient to satisfy the firm's AML compliance obligations. Given the volume and nature of transactions the firm processed, as well as the particular risks associated with its business model, the firm lacked an adequate system to monitor transactions for purposes of detecting potentially suspicious activity and evaluating whether transactions should be elevated for closer AML scrutiny and potential reporting. Furthermore, the firm did not appropriately tailor its AML program to fit the particular nature of its business. Until at least July 2013, the firm relied primarily on manual supervisory review of customer securities transactions to identify a range of operational or compliance concerns, but that review was not specifically focused on AML risk, and the relevant supervisory personnel were not in all cases adequately educated about their responsibilities in the AML context. The firm developed and implemented new AML-specific WSPs, which contemplated enhanced AML scrutiny for accounts and transactions characterized by certain commonly accepted risk factors, such as an account's connection to senior public or political figures, or activity in high-risk geographic locations. In practice, however, such heightened scrutiny was not consistently applied nor transactions elevated for further review. The firm also did not make effective use of automated surveillance to identify potentially suspicious transactions occurring in its customer brokerage accounts. The firm delegated to one of its banking affiliates the responsibility for monitoring—through automated surveillance and otherwise—transfers of money between the firm customer brokerage accounts and related customer bank accounts held at banking affiliates. Securities transactions and other activity that occurred entirely within the customer's firm brokerage account were not adequately monitored pursuant to this delegation. In some cases, automated alerts related to securities transactions in customer brokerage accounts were closed based on the erroneous assumption that the firm was conducting systematic AML monitoring of the securities transactions and addressing potential AML concerns as appropriate. The findings also stated that the firm did not conduct adequate annual independent testing for AML compliance by its own personnel or by a qualified outside party. Although certain aspects of the firm's AML compliance program were tested, the testing did not adequately focus on the firm's ineffective monitoring of transactions that occurred entirely within customer brokerage accounts at the firm and, as a result, did not effectively identify the shortcomings in the firm's AML compliance program. ([FINRA Case #2013036434501](#))

Convergenx Execution Solutions LLC (CRD #35693, New York, New York) submitted an AWC in which the firm was censured and fined \$3,000,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and implement an AML program that was reasonably designed to detect and cause the reporting of potentially suspicious transactions in microcap securities. The findings stated that the firm did not have adequate procedures in place to ensure that such transactions were scrutinized sufficiently. As a result, the firm failed to reasonably

detect and investigate red flags indicative of potentially suspicious activity in connection with certain transactions in microcap securities, which might have required the filing of a SAR. The firm took on three U.S. clients (the direct customers) for whom it provided custody, execution and clearing services in connection with the deposit and liquidation of nearly 47 billion shares of microcap stock. The firm cleared liquidation transactions of close to 18.5 billion shares of microcap securities executed by a U.S. broker-dealer client. The firm executed transactions of microcap securities on a delivery-versus-payment basis for three foreign financial institutions (the FFI customers), including the sale of more than 260 million microcap shares. However, the firm failed to tailor its AML program to detect suspicious transactions in microcap securities. In addition, the firm failed to perform a periodic review of the three FFI customers as required under the Bank Secrecy Act. Despite the fact that conducting microcap liquidation transactions for its customers was a new business for the firm, it failed to tailor its AML compliance program and written AML procedures to identify suspicious transactions in microcap securities. The firm's risk rating system was flawed because it often underestimated risk presented by new customers. As a result of the flawed process, the accounts most active in microcap liquidation activity were designated as low risk, including the highest-volume direct customer, all three of the FFI customers, and the U.S. broker-dealer client. Low-risk accounts generated fewer exceptions than high-risk accounts in the firm's AML surveillance system, which was one of the primary means by which the firm reviewed customer transactions for potentially suspicious activity. Low-risk accounts also did not receive retrospective AML reviews that high- and medium-risk accounts received, including a 90-day lookback review and an annual or semi-annual periodic review. As a result, the low-risk ratings assigned to the most active microcap liquidation accounts compromised the ability of the AML compliance group to re-evaluate the firm's relationships with these customers. Importantly, the firm failed to identify and investigate red flags of potentially suspicious transactions in microcap securities, including the deposit of physical certificates of unregistered securities and their prompt liquidation into the market, trading activity in customer accounts that represented a large share of the trading volume of a given stock, and the liquidation of shares where public information existed, but was not accessed by the firm, to suggest that transactions were being effected as part of a pump and dump scheme.

The findings also stated that none of the new account documentation associated with the FFI customer accounts identified microcap trading as anticipated activity for these accounts. Nevertheless, the FFI customers liquidated more than 260 million shares of microcap stock, regularly under potentially suspicious circumstances. Because the FFI customers were identified as low-risk accounts, none of those customers received a documented periodic review that would have enabled the firm to compare the actual activity of the FFI customers with the activity that the firm anticipated when it opened the accounts. The findings also included that the firm failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to ensure compliance with Section 5 of the Securities Act and the applicable rules and regulations with respect

to the distribution of unregistered securities. The firm executed, for a direct customer, the sale of approximately 7 million shares of an unregistered microcap security that were not eligible for an exemption from the registration requirements of Section 5. The firm failed to reasonably ensure that adequate due diligence was conducted before executing sales in microcap securities to verify that the transactions were registered or exempt from registration. The firm failed to commit appropriate training and resources to its review of the deposit and subsequent liquidation of unregistered securities in the accounts of its direct customers. ([FINRA Case #2014040667001](#))

Exane, Inc. (CRD #41784, New York, New York) submitted an AWC in which the firm was censured, fined \$20,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have adequate WSPs reasonably designed to ensure that it was in compliance with applicable securities laws and regulations regarding the proper designation of transactions as qualified contingent trades (QCTs) that are entitled to a trade-through exemption from Rule 611(a) of Regulation NMS. Additionally, on QCT order tickets that were transmitted for execution during the period between April 2014 and June 2014, the equity transmission time contained an incorrect time-stamp. The findings also stated that the firm failed to have adequate procedures reasonably designed to review for the accurate time-stamping of order transmission times. ([FINRA Case #2013039449701](#))

First Clearing, LLC (CRD #17344, St. Louis, Missouri) nka Wells Fargo Clearing Services, LLC (CRD #19616, St. Louis, Missouri) submitted an AWC in which the firm was censured and fined \$750,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to maintain in a “good control location” over \$1 billion worth of customer assets held in Individual Retirement Accounts (IRAs) at the firm. The findings stated that the IRA accounts contained a total of approximately 450 different uncertificated alternative investments (such as limited partnerships, real estate investment trusts (REITs) and direct placement programs, among others) with a market value of \$1.13 billion. Although the firm was the custodian of the IRA accounts, the uncertificated securities were physically held at the product sponsors in the name and taxpayer identification number of the firm in its capacity as the IRA custodian. For the product sponsors to be deemed a good control location, the firm would first have to obtain written assurances, commonly referred to as no-lien letters, from the product sponsors that the uncertificated securities were free of any liens or other encumbrances that could subject the securities to third-party claims. The firm failed to obtain no-lien letters from product sponsors of the uncertificated alternative investments, and therefore failed to maintain these securities in a good control location.

The findings also stated that the firm performed the security counts required with respect to the \$1 billion worth of uncertificated securities held by the product sponsors. The firm compared the value of the uncertificated securities as reflected on its stock record to the value of these securities reflected on the product sponsors’ IRA account statements, and

reconciled the differences. In some instances, where the product sponsors only distributed position information on a 45-day or longer basis, the firm identified unresolved differences in asset values. However, the firm failed to record these unresolved differences in a difference account. The findings also included that the firm failed to take into account the unresolved differences arising from its periodic securities count when computing customer reserves and computing net capital. The firm failed to deduct from its net capital any percentage of the unresolved differences in asset values arising from its periodic security counts of uncertificated securities held in customer IRA accounts. This failure resulted in an inaccurate assessment of the firm's net capital. By failing to include in its net capital and customer reserve computations unresolved differences arising from its securities counts of uncertificated alternative investments held in customer IRA accounts, the firm's books and records relating to these computations were also inaccurate.

FINRA found that the firm's WSPs did not contain provisions for the regulatory treatment of uncertificated alternative investments held in customer IRA accounts, including provisions relating to securities counts and verifications, deductions from the firm's net capital of the applicable percentage of the market value of securities differences, and additions of the market value of securities differences as a credit in the formula for computing customer reserves. ([FINRA Case #2015047064901](#))

First Financial Equity Corporation (CRD #16507, Scottsdale, Arizona) submitted an Offer of Settlement in which the firm was censured, fined \$230,000, and required to conduct a comprehensive review of its procedures and systems to determine that those systems and procedures are reasonably designed to achieve compliance with NASD and FINRA rules and with applicable federal securities laws and rules, and that those systems and procedures have been adequately revised to address and correct the firm's deficiencies. Without admitting or denying the allegations, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain procedures regarding the appropriateness of fee-based accounts for firm customers. Further, the firm failed to have either a system or procedures in place to ensure that advisory products and services were appropriate for customers and that charges for such services were reasonable. The firm also failed to implement a supervisory system to adequately supervise customer account activity in an Office of Supervisory Jurisdiction (OSJ), including monitoring for potential churning and excessive trading, and monitoring discretionary accounts. Additionally, the firm failed to maintain and enforce a supervisory system, including written procedures, related to the supervision of its options business conducted at the OSJ.

The findings also stated that the firm's WSPs did not reflect its actual processes and procedures with respect to the review and/or supervision of customer accounts, and its WSPs were not amended to reflect the firm's actual procedures. Additionally, the firm's procedures for conducting heightened supervision of registered representatives were inadequate in that the procedures did not detail how surveillance reviews were to be conducted, the frequency of the reviews, and how the reviews were to be evidenced.

Similarly, the firm had inadequate procedures with respect to the reasonable-basis suitability requirements, in that the firm had inadequate processes and procedures to ensure that requisite customer information was obtained prior to its representatives recommending securities and/or investment strategies involving securities to firm customers. Although the firm recommended and sold exchange-traded funds (ETFs) (including leveraged and inverse ETFs) to its customers, it did not have any written procedures for the supervision, approval and sale of ETFs.

The findings also included that the firm failed to enforce its WSPs. Specifically, the firm's designated supervisor did not approve, in writing, each order entered for discretionary accounts, and did not review discretionary account statements for the OSJ and, therefore, failed to enforce the firm's WSPs in this regard. The designated supervisor also did not conduct the churning/excessive trading review for the OSJ.

FINRA found that the firm failed to reasonably supervise a registered representative. After the firm's risk manager identified certain commissions being charged by the registered representative as being excessive, it failed to take reasonable steps to supervise and address the same. FINRA also found that the firm did not complete chief executive officer (CEO) certifications as required. For two years, the firm's CEO certifications required under FINRA Rule 3130 were inadequate; and for an additional two years, the firm did not complete CEO certifications as required. In addition, FINRA determined that the firm did not enforce its supervisory control procedures relating to producing managers. In particular, the firm did not properly calculate the 20 percent threshold to identify whether any producing managers should be placed on heightened supervision, and failed to identify certain individuals as producing managers. Additionally, the firm failed to create a report "detailing [its] system of supervisory control policies, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results" as required by its WSPs and NASD Rule 3012.

Under the terms of the Offer of Settlement, the firm has also consented to, without admitting or denying the same, the entry of the following findings and violations arising out of a separate cycle examination of the firm in FINRA Case #20150433540. The findings stated that the firm failed to establish, maintain, and enforce an adequate supervisory system, including written procedures, designed to ensure that the firm's sales of leveraged and inverse ETFs (nontraditional ETFs) complied with applicable securities laws, and NASD and FINRA rules. The findings also stated that the firm failed to establish, maintain, and enforce an adequate supervisory system and written procedures related to the sale of multi-share class variable annuities and to maintain records supporting customer suitability determinations with respect to variable annuity purchases. The firm failed to provide sufficient training to its registered representatives and principals on the sale and supervision of multi-share class variable annuities. The findings also included that the firm failed to implement a reasonable supervisory system and procedures to supervise variable annuity exchanges.

FINRA found that the firm failed to implement an adequate supervisory system and procedures relating to the parameters it established to identify mutual fund switches for supervisory reviews. FINRA also found that the firm failed to establish written procedures that addressed investment activity in the firm's proprietary accounts, including monitoring those accounts for market risk exposure, addressed the issue of concentration when conducting suitability reviews, and addressed either the guidelines contained in FINRA's fair prices and commissions rule, or how commissions would be reviewed to ensure against excessive commission. ([FINRA Case #2013034966701](#))

Foothill Securities, Inc. (CRD #1027, Santa Clara, California) submitted an AWC in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish reasonable supervisory systems and procedures concerning sales of non-liquid REITs in amounts that exceeded the firm's asset concentration guidelines. The findings stated that the firm maintained written guidelines for limiting customers' investments in non-exchange-traded REITs and other non-liquid investments that stated that no single order in one non-liquid product should equal more than 10 percent of a customer's investable net worth as of the time the order is placed, and that no order should cause a customer to have more than 20 percent of his or her investable net worth in non-liquid investments. At the request of one of its registered representatives, the firm provided a written customer acknowledgment that requested a customer signature to acknowledge that the customer was purchasing a non-traded REIT in an amount that exceeded the guidelines. Subsequently, this registered representative and one other registered representative recommended an investment in non-exchange-traded REITs for additional customers outside the guidelines and had those customers sign the acknowledgment to complete the transactions. The firm approved those sales, even though it did not take reasonable steps to ensure that the registered representatives had informed the firm that they were recommending a transaction beyond the guidelines and were providing the acknowledgment to their customers. In addition, the firm did not provide these registered representatives or their supervisors with adequate guidance about how to assess whether an additional REIT transaction would result in the customer exceeding the guidelines in the aggregate, and whether additional investments in non-exchange-traded REITs were suitable. ([FINRA Case #2011026915302](#))

The GMS Group, LLC (CRD #8000, Livingston, New Jersey) submitted an AWC in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it recommended and sold municipal bonds to retail customers in amounts below the minimum denomination. The findings stated that on three occasions, the firm failed to disclose to customers that their purchase was in an amount below the minimum denomination. The findings also stated that the firm recommended and sold four bonds in transactions to customers who were not Qualified Institutional Buyers (QIBs), even though the official statements for these bonds stated that they were eligible for sale only to QIBs. The findings also included that the firm's WSPs prohibited the sale of bonds below the minimum denomination (absent

circumstances not present here) and restricted the sale of bonds with a QIB restriction to eligible purchasers. However, the firm did not have adequate systems or controls in place to monitor and prohibit sales below the minimum denomination or to ineligible purchasers. ([FINRA Case #2015043159601](#))

Intercontinental Asset Management Group, Ltd. (CRD #22408, San Antonio, Texas) submitted an AWC in which the firm was censured and fined \$290,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to implement an AML program that was reasonably designed to detect, investigate and report, where appropriate, potentially suspicious activity, and to achieve and monitor compliance with the Bank Secrecy Act and its implementing regulations. The findings stated that the firm's AML program was not reasonably tailored to address the risks associated with its business model, particularly with respect to its monitoring of money movements. The firm failed to investigate potentially suspicious activities during the account opening process, including customers with multiple firm accounts in the names of family members or limited liability companies (LLCs) and a senior foreign political figure; and failed to reasonably investigate potentially suspicious money movements, including wire transfers, a potentially suspicious account liquidation, and customers with undisclosed banking relationships.

The findings also stated that the firm failed to conduct adequate annual independent AML tests. The findings also included that the firm failed to adequately supervise the fees that were charged for personal services that registered representatives provided to customers. These services included a wide range of activities, including the hand-delivery of documents, personal shopping, and the referral of other professionals, such as attorneys or accountants. In practice, the principal approving these charges did not review any documentation or receipts substantiating the charges to determine that the charges were reasonable, and the firm did not maintain adequate documentation to support the charges. Moreover, the firm's disclosure of the annual fee was also inadequate because the firm failed to provide customers with advance notice of the assessment of the annual fee, and failed to provide customers with any type of itemization of the services upon which the fee was predicated.

FINRA found that the firm failed to enforce its WSPs regarding the disclosure of mutual fund share classes and breakpoints. The WSPs required that investors be provided with written disclosure about their options with respect to mutual fund share classes and available breakpoints. However, the firm failed to enforce this policy, and no such written disclosures were provided to any of the firm's customers. FINRA also found that for four years, the firm failed to create annual NASD 3012 reports detailing the firm's system of supervisory controls, the summary of test results of this system, significant exceptions identified, and any amended supervisory procedures created in response to the test results. Although the firm did conduct some reviews of its business practices, it did not systematically test its supervisory systems on an annual basis. ([FINRA Case #2014039092801](#))

Jefferies Execution Services, Inc. (CRD #867, New York, New York) submitted an AWC in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in approximately 400,000 instances, the firm submitted a trade report to the FINRA/Nasdaq Trade Reporting Facility (FNTRF) in connection with a short sale in an NMS security, and failed to indicate on the trade report whether the transaction was a short sale or a short sale exempt transaction. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules concerning the accuracy of trade reports submitted to the FNTRF. ([FINRA Case #2015044232401](#))

LPL Financial LLC (CRD #6413, Boston, Massachusetts) submitted an AWC in which the firm was censured, fined \$900,000, and required to submit to FINRA a written plan of how it will undertake to conduct a comprehensive review of the adequacy of the relevant policies and procedures (written and otherwise), including a description of remedial measures leading to full compliance relating to the creation and distribution of certain account records. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to send, and to create records that it had sent to customers, more than 1.6 million account notices for accounts in which a suitability determination had been made during the prior 36-month period. The findings stated that over a seven-year period, the firm failed to send more than 25 percent of the required notices. A variety of systemic issues caused this failure, including the exclusion of certain accounts from 36-month mailing cycles, missing or incorrect account data, and programming errors. The firm also failed to update its systems to identify a hold recommendation as a triggering event for the 36-month period. The findings also stated that the firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to achieve compliance with applicable laws and regulations relating to the creation and distribution of such account records. Although the firm had written procedures regarding the generation of account notices, its procedures did not require any supervisory review or other procedure to confirm that such notices had been provided to accountholders. ([FINRA Case #2015045887301](#))

Madison Avenue Securities, LLC (CRD #23224, San Diego, California) submitted an AWC in which the firm was censured and fined \$75,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have either written procedures or a supervisory system in place pertaining to the creation and dissemination of consolidated reports. The findings stated that 39 of the firm's approximately 140 registered representatives used multiple systems to prepare and distribute consolidated reports to customers. Templates that 21 of the registered representatives used allowed for manual entry of account information. The firm distributed approximately 6,800 consolidated reports to customers, and approximately 4,500 of those consolidated reports were generated using templates that allowed for manual

entries. Although most of the consolidated reports contained adequate disclosure, the templates seven representatives used did not. The firm implemented procedures relating to consolidated reports that required representatives to, among other items, submit templates to the compliance department prior to use and provided for the review of consolidated reports during annual branch examinations. These procedures, however, were not consistently enforced and were inadequate, in that they did not provide for verification of manually entered account assets or valuation information. Further, approximately 2,300 consolidated reports were neither reviewed nor retained by the firm. ([FINRA Case #2015043246601](#))

Melville Island, LLC (CRD #140611, Chicago, Illinois) submitted an AWC in which the firm was censured and fined \$82,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it engaged in a referral fee business that was not authorized in its Membership Agreement. The findings stated that the firm failed to obtain FINRA approval prior to engaging in activity that entailed a material change in business, and failed to update its Uniform Application for Broker-Dealer Registration (Form BD) to disclose the referral fee business. The findings also stated that the firm failed to implement an appropriate supervisory system for its referral fee business and failed to conduct AML testing for two years. In addition, the firm failed to provide sufficient procedures for notification of its registered representatives' private securities transactions, and failed to provide evidence that it maintained oversight of its registered representatives' private securities transactions. The firm also failed to provide representations that its electronic media was retained in a non-erasable and non-rewritable format, and failed to evidence that it reviewed electronic correspondence. The firm failed to submit an Annual Certification of Compliance and Supervisory Process and failed to make required FINRA Rule 3130 certifications for two years. Furthermore, the firm failed to complete an annual NASD Rule 3012 report for two years and failed to provide timely yearly notices to FINRA after relying on the Limited Size and Resources exception for three years. The firm also failed to adequately supervise its producing managers or have adequate written procedures in place for their supervision. The findings also included that the firm failed to adequately compute its net capital, and subsequently failed to promptly report that its net capital had declined below its \$5,000 minimum net capital requirement. ([FINRA Case #2014040505201](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted an AWC in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it exceeded the relevant position limit in two different securities for two different customers for five days each. The findings stated that the firm failed to maintain an adequate system of supervision, including systems of follow-up and review, reasonably designed to achieve compliance with the rules governing the reporting of options position limits to the Large Options Position Reports (LOPR) system. ([FINRA Case #2015043999801](#))

Morgan Stanley & Co. LLC (CRD #8209, New York, New York) submitted an AWC in which the firm was censured and fined \$500,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain systems and procedures reasonably designed to ensure it accurately valued its holdings in commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS). The findings stated that although the firm had a group that independently reviewed its trading desk's valuations, it reviewed valuations at an aggregate level that was insufficient to identify potentially material discrepancies at an individual instrument level. This weakness in controls increased the firm's risk of inaccurate CMBS and RMBS pricing and inaccurate financial calculations for balance sheet, profit and loss, FOCUS reporting, market risk management and haircut purposes. The practice of aggregating or netting all CMBS or RMBS cash positions created a risk that the firm might not identify material discrepancies in a certain security or category of securities, because specific discrepancies could be concealed by the netting effect. The firm had inadequate market risk management controls over its trading positions that inhibited its ability to reasonably assess the price variances of each security over time. Although the firm twice changed this process to aggregate CMBS and RMBS into smaller sub-categories, the sub-categories were still broad, and the firm's practices continued to create a risk that substantial discrepancies in one security or type of security would not be apparent after netting. When the firm did identify and discuss price variances on individual positions with desk traders, it routinely accepted the traders' explanations of mitigating market factors without performing independent reviews and without sufficiently documenting the reasons for accepting the traders' marks. ([FINRA Case #2014040071001](#))

Morgan Stanley & Co. LLC (CRD #8209, New York, New York) submitted an AWC in which the firm was censured and fined \$2,750,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain systems and procedures reasonably designed to ensure that it maintained possession and control of all customer fully paid and excess margin securities. The findings stated that at times, the firm erroneously released certain customer shares both domestically and internationally that should have been held in a segregated account. As a result, the shares were made available for the firm's use and at times were used by the firm.

The firm maintained a control system that calculated what customer securities it was required to segregate. To the extent the firm also had excess securities, over and above the amount it was required to segregate, the firm could release those securities from segregation. However, the firm's system contained a design flaw that allowed the firm to release certain securities from segregation that the system deemed to be excess, when in fact no such excess existed. The firm's release of these securities resulted in deficits in the customer securities it was required to segregate. These situations occurred when the firm erroneously understood that customer securities had been segregated, but the segregation

instructions had in fact not yet been processed. Based upon that belief, the firm erroneously released the shares from segregation. As a result, the shares were made available for the firm's use and at times were used by the firm. The firm then corrected the deficit by end of day.

Although the firm typically segregated the customer shares at the end of day, thereby correcting intraday deficits, it did not have adequate systems and procedures in place to investigate the cause of the intraday deficits or to prevent the creation of other similar intraday deficits going forward. The findings also stated that the firm failed to have in place adequate systems and procedures that accounted for trading in disparate time zones and on U.S. holidays, to prevent the creation of deficits in customer securities traded internationally. ([FINRA Case #2014040071002](#))

Morgan Stanley Smith Barney LLC (CRD #149777, Purchase, New York) submitted an AWC in which the firm was censured and fined \$1,500,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to deliver approximately 2.1 million prospectuses to online customers and failed to implement a reasonable supervisory system ensuring delivery of prospectuses. The findings stated that the firm made required prospectuses available to customers through an online platform if the customer elected to receive paperless transaction confirmations via online delivery. After deployment of a system update to change various features of the online platform in November 2013, the firm did not test a hyperlink to the prospectuses to ensure that they remained available to online customers. As a result of the system update, the hyperlink was not placed on the online transaction confirmation during a nine-month period.

The findings also stated that the firm failed to deliver investment objective change letters if investment objective changes were not approved on the same day requested, and failed to implement a reasonable supervisory system to ensure their delivery. The firm employed an automated system to ensure that investment objective change letters were delivered. During the fourth quarter of 2013, the firm made a system change that resulted in failures in delivering investment objective change letters under certain circumstances. Due to a coding error in the system change, when a supervisor approved an investment objective change on a day other than the same day the financial advisor entered the change for the customer's account, the system did not generate and send a confirmation letter. As a result, the firm's system failed to generate and send approximately 23,500 investment objective change letters to customers. In most cases, the firm reflected investment objectives on customers' monthly account statements. For customers that opted not to receive monthly account statements, the investment objective changes were not confirmed to customers in a timely manner. Separately, if an investment objective change was entered but not approved within 29 days, the system automatically rejected the proposed change. In such a circumstance, a customer's investment objective would not be changed and no investment change confirmation letter was sent. When the proposed change was automatically

rejected, the firm did not have an adequate notification system that brought the auto-rejected change to a supervisor's or financial advisor's attention for review and action to determine if the change was rejected in error.

The findings also included that the firm failed to send investment objective change letters as a result of a coding error related to account number changes. In the period between at least June 2012 and June 2016, the firm failed to send at least 4,000 letters to customers confirming changes in their investment objectives within 30 days of the change. Due to the system coding error, the firm system incorrectly viewed accounts undergoing account number changes as closed, and thus suppressed the transmittal of the investment objective change letters. While the firm's systems contained the updated information, it did not confirm investment objective changes through the confirmation letters it otherwise would have sent. As a result, the firm failed to ensure that it met its obligations to confirm investment objective changes. This error went undetected until FINRA brought it to the firm's attention. ([FINRA Case #2014042651801](#))

Potamus Trading, LLC ([CRD #142867](#), Boston Massachusetts) submitted an AWC in which the firm was censured, fined \$20,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted long sale transactions to OATS when the transactions were short or short exempt, and in one additional instance, the firm failed to submit an "RT" report to OATS. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm's WSPs failed to provide for one or more of the minimum requirements for adequate WSPs regarding sales transactions and OATS. ([FINRA Case #2015044234201](#))

Principal Securities, Inc. fka Princor Financial Services Corporation ([CRD #1137](#), Des Moines, Iowa) submitted an AWC in which the firm was censured and fined \$125,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a reasonable supervisory system related to the use of consolidated reports provided to customers by its registered representatives. The findings stated that the firm provided four consolidated reporting systems for its registered representatives to enter customized values for assets and accounts held away from the firm into a consolidated report (manual entries). The firm, however, did not require the reports to be reviewed by a supervisor before being provided to customers. As a result, there was no supervisory review of the manual entries to the reports. The findings also stated that the firm's WSPs required registered representatives to submit correspondence for supervisory review on a monthly basis. The procedures, however, did not classify consolidated reports generated through the reporting systems as correspondence. Moreover, the firm's WSPs did not address the review of consolidated reports generated by those reporting systems. Thus, the firm did not review the reports provided to customers.

The findings also included that the firm's WSPs required registered representatives to retain records related to business transactions and certain activities for customers with respect to the firm's broker-dealer business. Representatives were required to retain personal financial plans created for customers, any resulting investment advice and all customer account records. These documents were to be maintained in customer files for at least six years. Two registered representatives in a firm branch office failed to retain copies of consolidated reports in accordance with the firm's WSPs. ([FINRA Case #2015043589501](#))

Regal Securities, Inc. ([CRD #7297](#), Glenview, Illinois) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and enforce procedures relating to its review and approval of an outside business activity. The findings stated that the firm failed to comply with its obligations to reasonably supervise one of its representatives and his outside business activities by failing to adequately identify and respond to red flag warnings that the representative had been participating in an outside business activity or private securities transactions that the firm had previously prohibited. ([FINRA Case #2015043657202](#))

Ross, Sinclair & Associates, LLC ([CRD # 25440](#), Cincinnati, Ohio) submitted an AWC in which the firm was censured; fined \$214,545; ordered to disgorge \$35,455, plus interest, of financial benefits received in connection with offerings; and required to hire an independent consultant to conduct a comprehensive review of the adequacy of its policies, systems and procedures. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system reasonably designed to achieve compliance with securities laws and regulations, and with MSRB, NASD and FINRA rules; and failed to establish, maintain, and enforce WSPs to supervise its registered and associated persons. The findings stated that the firm failed to ensure that material facts, including its own potential conflicts of interest, about offerings for which the firm served as financial advisor or underwriter, or which the firm recommended to its customers, were disclosed in the respective offering memoranda. The findings also stated that contrary to its own WSPs, the firm improperly acted as both a financial advisor and an underwriter in the same municipal securities issuance. The firm also failed to timely provide disclosures relating to its underwriting role. The findings also included that the firm failed to maintain documentation to evidence that it conducted adequate due diligence in competitive municipal offerings it sold. In addition, the firm's WSPs failed to address how the firm would document that an adequate due diligence process and supervisory review had occurred.

FINRA found that the firm failed to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and its implementing regulations by not verifying the identity of investors in private offerings who did not have brokerage accounts with the firm. FINRA also found that after establishing a new OSJ that included personnel of an unaffiliated business group, the firm

failed to establish an adequate supervisory system to supervise the OSJ in a variety of ways. The firm failed to conduct and evidence adequate due diligence of Regulation D offerings, and its WSPs did not address how the firm would perform and document its due diligence for private offerings. The offering documents did not adequately disclose potential conflicts of interest, and the firm failed to obtain basic customer information fundamental to the firm's obligation to ensure that its recommendations were suitable. The firm also failed to document the signatures of representatives responsible for accounts, and the signature of the principal who approved the accounts. The firm failed to evidence firm principal approval for transaction of Regulation D offerings. In addition, FINRA found that the firm failed to timely submit certain information and documentation to the MSRB's Electronic Municipal Market Access system. ([FINRA Case #2015043591701](#))

SpiderRock EXS, LLC ([CRD #148743](#), Chicago, Illinois) submitted an AWC in which the firm was censured, fined \$42,500, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit reportable order events (ROEs) to OATS on business days, and transmitted reports to OATS that contained inaccurate, incomplete, or improperly formatted data. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules concerning OATS reporting. The firm's supervisory system did not include WSPs providing for a comprehensive review of the OATS website and its own systems to ensure that the firm submitted all ROEs to OATS, as required. ([FINRA Case #2015046601501](#))

Tribal Capital Markets, LLC ([CRD #38901](#), New York, New York) submitted an AWC in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it executed trades in connection with its riskless principal transactions in TRACE-eligible fixed income securities that included trades that were customer leg trades, and it failed to report the customer leg trades to TRACE. The findings stated that the firm failed to establish, maintain and enforce a reasonable supervisory system, including reasonable supervisory procedures, concerning the reporting of riskless principal fixed income securities transactions to TRACE. In particular, the firm's supervisory system was not reasonably designed to ensure that customer leg trades in TRACE-eligible securities were reported, and the firm's WSPs did not address customer leg trades. ([FINRA Case #2015043329201](#))

UBS Securities LLC ([CRD #7654](#), New York, New York) submitted an AWC in which the firm was censured and fined \$2,450,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it self-reported that it failed to report OTC index options positions to the LOPR system in approximately 933,173 instances, self-reported that it inaccurately reported effective trade dates in OTC options to the LOPR in 74,416 instances, self-reported that it failed to report positions of OTC options to the LOPR in 7,406 instances due to a systems error, self-reported that it failed to report OTC

ETF options positions to the LOPR in 1,430 instances, and in 3,436 instances, self-reported that it inaccurately reported the Tax ID number in OTC options positions to the LOPR. The findings stated that in approximately 6,077,014 instances, the firm incorrectly reported the multiplier used to calculate the underlying equity delivered by a contract in OTC options; in approximately 461,793 instances, inaccurately reported OTC options positions to the LOPR with an incorrect entry in the Tax ID field; and in approximately 29,407 instances, reported positions on the wrong side of the market in OTC options to the LOPR.

The findings also stated that the firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules related to the reporting of positions to the LOPR. In addition, the firm's supervisory system did not include sufficient WSPs to ensure the proper reporting of positions to the LOPR, specifically a statement of the supervisory step(s) to be taken and reviews employed to ensure the accuracy of reports made in OTC options to the LOPR. The inadequate procedures resulted in many of the issues not being detected. ([FINRA Case #2013038258901](#))

The Vertical Trading Group, LLC ([CRD #104353](#), New York, New York) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that during the months of January through June 2015, the firm made available a report on the covered orders in NMS securities that it received for execution from any person that included incorrect information as to the order size of covered orders in Regulation NMS stocks the firm received for execution. (FINRA Case #2015044227301)

VFinance Investments, Inc. ([CRD #44962](#), Boca Raton, Florida) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to publish immediately a bid or offer that reflected the price and full size of customer limit orders for OTC equity securities held by the firm that were at a price that would have improved the firm's bid or offer in such securities. ([FINRA Case #2016048839601](#))

Vision Brokerage Services, LLC dba Vision ([CRD #47927](#), Stamford, Connecticut) submitted an AWC in which the firm was censured; fined \$210,000; required to pay \$89,120.14, plus interest, in restitution to investors; and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold corporate bonds to customers and failed to sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that in each transaction, the firm's affiliated clearing firm purchased the bonds from the street and sold them to the firm at a markup, and the firm then sold the bonds to its customers at its own markup. Because the same

dually registered personnel at both firms were responsible for setting the markups on each leg of a transaction, the firm should have aggregated the markups charged on both legs of the transaction in determining whether the firm sold the bonds to customers at fair prices. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, to ensure the firm charged reasonable fixed income markups and markdowns. The firm's supervisory system did not consider the total markups (consisting of the firm's and the affiliate's markups) charged to its customers. ([FINRA Case #2012034343101](#))

Wedbush Securities Inc. (CRD #877, Los Angeles, California) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed, within 10 seconds after execution, to transmit last sale transaction reports in NMS securities to the FNTRF, and failed to report the correct execution time to the FNTRF in that it failed to append the stop stock time on last sale reports of transactions in NMS securities. The findings stated that the firm failed to adequately supervise its trade reporting and input of trade data to the FNTRF. ([FINRA Case #2015046471201](#))

Wells Fargo Clearing Services, LLC fka Wells Fargo Advisors, LLC (CRD #19616, St. Louis, Missouri) and Wells Fargo Advisors Financial Network, LLC (CRD #11025, St. Louis, Missouri) submitted an AWC in which the firms were censured and fined \$1,000,000, jointly and severally. Without admitting or denying the findings, the firms consented to the sanctions and to the entry of findings that they failed to establish, maintain and enforce reasonable supervisory systems for the use of consolidated reports generated by their registered representatives through a particular application that the firms made available to their registered representatives. The findings stated that when preparing application reports, the firms' representatives were permitted to manually enter information regarding customers' external accounts, assets and liabilities into a centralized assets and liabilities table that the firms maintained. The application would pull that information from the table to populate the application reports, including those that were then sent to the firms' customers. The firms reviewed a random sampling of only 2 percent of the application reports. The firms did not review, nor did it have a system in place to review, the contents of the application reports, including information about customers' holdings away from the firms.

The findings also stated that the firms' supervisory systems and procedures were inadequate because there was not a mechanism allowing their representatives to designate which application reports were actually provided to customers. The firms could not distinguish between draft application reports and reports that were completed and sent to customers, which should have been subjected to the firms' supervisory systems designed to review customer communications. ([FINRA Case #2015043740201](#))

Firms Sanctioned

Cambridge Investment Research, Inc. (CRD #39543, Fairfield, Iowa) submitted an AWC in which the firm was censured and required to provide FINRA with a remediation plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total \$211,979 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing such customers to pay higher fees than they were actually required to pay. The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately \$182,259 for mutual fund purchases made since July 1, 2009. ([FINRA Case #2015046952401](#))

Individuals Barred or Suspended

David Allen Aarvig (CRD #2639190, Byron, Illinois) submitted an Offer of Settlement in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Aarvig consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to report a Wisconsin felony charge until more than four years after his arrest and plea agreement, and only after his member firm had questioned him about the charge. The findings stated that Aarvig willfully failed to timely amend his Form U4 to report an Illinois felony indictment until almost an entire year after he acknowledged learning about the felony charge, and only after the firm had questioned him about the charge. Aarvig also willfully failed to disclose a New York felony charge on his Form U4. The findings also stated that Aarvig misled his firm by completing annual compliance questionnaires in which he failed to disclose his criminal arrests and charges.

The suspension is in effect from December 19, 2016, through June 18, 2017. ([FINRA Case #2014042544201](#))

Ralph Adame (CRD #2279965, San Gabriel, California) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Adame consented to the sanctions and to the entry of findings that he improperly borrowed \$1,400 from a member firm customer. The findings stated that Adame executed a loan agreement evidencing the loan and agreed to make interest payments at the rate of 10 percent. Adame has made several interest payments but the principal balance of the loan remains unpaid. The loan violated the firm's written procedures because the customer was not a member of Adame's immediate family.

The suspension is in effect from January 3, 2017, through March 2, 2017. ([FINRA Case #2016049931401](#))

Daryl Eugene Allison (CRD #3686, Lubbock, Texas) submitted an AWC in which he was fined \$10,000 and barred from association with any FINRA member in any principal capacity. Without admitting or denying the findings, Allison consented to the sanctions and to the entry of findings that acting on behalf of a former FINRA member firm, he failed to supervise two registered representatives' offers and sales of closed-end mutual funds to customers by ignoring or failing to detect numerous red flags indicating that the closed-end mutual fund transactions were possibly unsuitable for the customers. The findings stated that Allison failed to enforce the firm's WSPs regarding the review of exception reports to detect problematic trading activity in customer accounts. The findings also stated that Allison failed to conduct and/or to adequately document inspections of the firm's branch offices. Allison routinely inspected one of the firm's three branch offices, but failed to adequately document the inspections. Allison's inspection reports were mere checklists that did not contain any information regarding testing and verification of the firm's policies and procedures, and did not address all of the required areas, such as the validation of changes in customer account information and customer address changes. In addition to preparing inadequate inspection reports, Allison completely failed to conduct inspections of two non-OSJ branch offices during the more than three-year time period.

The findings also included that Allison, acting on the firm's behalf, failed to establish and implement an adequate supervisory system for the capture, review and/or retention of all of the firm's email correspondence. Allison failed to ensure that the firm maintained records to evidence supervisory reviews of email correspondence, and failed to ensure that the email correspondence of registered representatives located in one of the firm's branch offices was captured, reviewed and retained. Allison also failed to ensure that customer account and transaction records accurately reflected the registered representative of record. ([FINRA Case #2014039096601](#))

Kennedy Kwabena Amofa ([CRD #6069392](#), Rochester, Minnesota) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Amofa consented to the sanction and to the entry of findings that he applied fictitious insurance premium payment credits to policies for customers of his member firm's insurance affiliate by utilizing the affiliate's online payment processing system. The findings stated that as a result, Amofa maintained as active, numerous insurance policies that had not actually received the cash premium payments and allowed him to improperly receive at least \$1,450 in insurance commissions for those policies. Amofa's conduct also caused a financial loss to the affiliate in the amount of approximately \$17,200 (including commissions) in lost premiums. ([FINRA Case #2015046908601](#))

Steven Paul Azoury ([CRD #733604](#), Rochester Hills, Michigan) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Azoury consented to the sanctions and to the entry of findings that he executed discretionary transactions in customer accounts with only verbal and not prior written authorization from those customers. The findings stated that Azoury had verbal authorization from these customers for purchases and sales of products consistent with their investment strategies, but exercised his discretion in executing those transactions on future dates. Azoury did not obtain written authorization from his customers to exercise discretion in their accounts, and his member firm did not approve these accounts for discretionary trading.

The suspension was in effect from January 3, 2017, through January 17, 2017. ([FINRA Case #2015043653501](#))

Rodney Marvin Bakken ([CRD #4623135](#), Sun Prairie, Wisconsin) submitted an AWC in which he was assessed a deferred fine of \$7,500, suspended from association with any FINRA member in any capacity for six months and suspended from association with any FINRA member in any principal capacity for one month. Without admitting or denying the findings, Bakken consented to the sanctions and to the entry of findings that he failed to reasonably enforce his member firm's WSPs in connection with his supervision of a detached branch office by failing to conduct reviews of transaction logs and order tickets as the firm's procedures required. The findings stated that Bakken was an agency control officer for the firm's parent insurance company and the OSJ supervisor for the detached branch office. Pursuant to the firm's procedures, Bakken, as agency control officer, was assigned the day-to-day supervisory responsibility for the detached branch office. Bakken failed to take reasonable steps to ensure receipt of transaction logs and order tickets in a timely fashion. In fact, transaction logs and order tickets were frequently not received daily by Bakken as required by the WSPs. Additionally, Bakken failed to compare order tickets with transaction log entries on a consistent basis, as he was required to do. This resulted in the firm's failure to detect multiple instances in which certain orders were not recorded in the transaction log. Moreover, although Bakken was responsible for matching

trade confirmations with executed order tickets for the detached branch office, he did not always do so. This resulted in the firm's failure to detect multiple instances in which a trade confirmation was issued for an order, but a corresponding order ticket was not sent to Bakken.

The findings also stated that the detached branch office often failed to send order tickets to Bakken on a daily basis. Although Bakken reviewed the order tickets and signed them to evidence his approval, Bakken routinely recorded the date of his signatures inaccurately; instead of dating his signatures with the date he signed the documents, Bakken backdated his signatures with date the order was entered, causing him to create falsified documents. The findings also included that by entering the date of the order, rather than the date of his review on firm order tickets, Bakken caused his firm to create and maintain inaccurate books and records.

The suspension in any capacity is in effect from December 19, 2016, through June 18, 2017. The suspension in any principal capacity will be in effect from June 19, 2017, through July 18, 2017. ([FINRA Case #2014041510203](#))

Kenneth Alan Balser (CRD #704053, Colorado Springs, Colorado) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Balser consented to the sanction and to the entry of findings that he refused to provide FINRA with requested documents and information and appear for testimony during the course of its investigation into allegations that he engaged in private securities transactions in violation of his member firm's policy. ([FINRA Case #2016050727001](#))

Robert Steven Beck (CRD #2121454, Philadelphia, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Beck consented to the sanctions and to the entry of findings that he effected discretionary trades in a customer's brokerage account. The findings stated that although the customer verbally granted Beck discretion to place trades in her account, she did not provide written authorization for him to do so. Further, Beck's member firm did not accept the account for discretionary trading. The findings also stated that Beck submitted a compliance questionnaire to his firm in which he falsely answered "no" to the question that asked, "Do you have any accounts in which business is transacted on a discretionary basis?"

The suspension was in effect from December 19, 2016, through January 10, 2017. ([FINRA Case #2014042560001](#))

Frank J. Bodi (CRD #1107838, Solon, Ohio) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Bodi consented to the sanctions and to

the entry of findings that he effected discretionary trades in customer accounts without obtaining the customers' prior written authorization and without his member firm's acceptance of the accounts as discretionary.

The suspension was in effect from January 17, 2017, through February 6, 2017. ([FINRA Case #2014041310601](#))

Michael Lewis Bohannon ([CRD #1261864](#), Sikeston, Missouri) submitted an AWC in which he was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Bohannon consented to the sanctions and to the entry of findings that he participated in two unapproved outside business activities. The findings stated that Bohannon engaged in an outside business activity related to a "Consulting Agreement" even after he requested, and his member firm denied, approval for him to participate in it. Bohannon participated in another related outside business activity relating to a membership purchase agreement without first seeking or getting the firm's approval. The findings also stated that Bohannon falsely represented on a firm compliance questionnaire that he was not engaging in any outside business activity that the firm had disapproved or prohibited.

The suspension is in effect from January 3, 2017, through April 2, 2017. ([FINRA Case #2015047278101](#))

Mark Hudson Botsford ([CRD #6361552](#), Washington, DC) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for six months. In light of Botsford's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Botsford consented to the sanction and to the entry of findings that he engaged in an outside business activity without his member firm's knowledge and approval. The findings stated that Botsford made false certifications to the firm in two instances regarding his receipt of \$33,500 in monetary gifts from a customer.

The suspension is in effect from December 19, 2016, through June 18, 2017. ([FINRA Case #2016049347201](#))

Roger Craig Bowden ([CRD #2096554](#), Highlands Ranch, Colorado) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the findings, Bowden consented to the sanctions and to the entry of findings that he engaged in an outside business activity without providing prior written notice to his member firm. The findings stated that Bowden served as an advisory board member for a private investment company. The findings also stated that Bowden submitted an inaccurate expense allocation form to his firm's parent company. Bowden attended an advisory board meeting for the private investment company and incurred \$3,009.31 in business expenses. Bowden paid for the expenses using a corporate credit card issued by the parent company. Bowden caused an expense allocation form, including expenses from his trip, to

be submitted to the parent company. The expense allocation form was inaccurate in that it allocated all expenses incurred during the trip to two affiliated companies, inaccurately implying that the expenses were related to those businesses. The parent company paid the charges on Bowden's credit card on his behalf. At the same time, Bowden sought and received reimbursement from the private investment company for \$2,195.93 of these same expenses. Bowden planned to use the funds received from the private investment company in addition to his own to reimburse the parent company for the expenses it paid on his behalf. The parent company later told Bowden the amount it wanted him to reimburse of the expenses it paid on his behalf. Bowden delayed his repayment but ultimately did reimburse the parent company.

The suspension is in effect from December 19, 2016, through August 18, 2017. ([FINRA Case #2013039295201](#))

Michael Todd Boyd (CRD #2199918, Malibu, California) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 10 months. Without admitting or denying the findings, Boyd consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose a Chapter 7 bankruptcy petition, unsatisfied tax liens totaling approximately \$766,537, and unsatisfied civil judgments totaling approximately \$261,231. The findings stated that the Forms U4 that Boyd did file during the relevant period were misleading in that they each incorrectly represented that Boyd did not have any reportable bankruptcies, liens or judgments.

The suspension is in effect from January 3, 2017, through November 2, 2017. ([FINRA Case #2015046690101](#))

Rodger James Burskey (CRD #1193951, Commerce, Michigan) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Burskey consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony related to its investigation to determine whether he had made unsuitable recommendations or engaged in discretionary trading. ([FINRA Case #2015047973401](#))

Marc Donald Bushey (CRD #2405482, Plympton, Massachusetts) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Bushey consented to the sanction and to the entry of findings that he converted and improperly used a trust's funds for his personal use, which he neither owned nor was entitled to possess. The findings stated that Bushey assisted a customer and her now-deceased father with creating the trust for the benefit of the customer's two minor children. The customer and a third party with whom Bushey had a business relationship were appointed as co-trustees. Bushey then assisted the trust with opening an account at his member firm, for which he served as the registered representative of record. Bushey wrote at least seven checks from the trust's account, made

out to “cash,” for a total of \$10,900. Bushey then deposited those checks into his personal bank account and used the funds for his personal use. Neither trustee authorized Bushey’s actions. ([FINRA Case #2016051803901](#))

William Danny Chancellor ([CRD #1277838](#), Madison, Mississippi) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the allegations, Chancellor consented to the sanctions and to the entry of findings that while associated with two member firms, he willfully failed to disclose a federal tax lien filed against him on his Form U4 and willfully failed to timely amend his Form U4 to disclose the federal tax lien and five other liens. The findings stated that Chancellor completed one of the firm’s annual questionnaires, affirming that he read, understood and was in compliance with the firm’s policies requiring that his Form U4 be amended to disclose a qualifying event within 30 days, including a tax lien.

The suspension is in effect from January 17, 2017, through April 16, 2017. ([FINRA Case #2014040750201](#))

Kai Chen ([CRD #2916984](#), San Francisco, California) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Chen consented to the sanctions and to the entry of findings that he effected customer security transactions in shares of initial public offerings (IPOs) without first confirming the trades with customers. The findings stated that Chen had informal arrangements with customers pursuant to which he would routinely record indications of interest, accept allocations from his member firm, place shares into the customer accounts and, at times, sell the shares out of the customers’ accounts all without first obtaining the customers’ verbal confirmations. Chen did not have any written authorization from these customers to effect securities transactions on their behalf, and the firm had not accepted those accounts as discretionary accounts in writing. Chen effected 99 purchases of IPO shares for 18 customer accounts in connection with 38 different IPOs. Additionally, Chen effected 38 sell transactions of IPO shares in 13 customer accounts in connection with 18 different IPOs.

The suspension is in effect from December 19, 2016, through February 18, 2017. ([FINRA Case #2013039280301](#))

Andrew Scott Corbman ([CRD #2513558](#), Ashburn, Virginia) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Corbman consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony in connection with its inquiry into the circumstances surrounding Corbman’s termination from his member firm, as well as allegations against him regarding unsuitable and unauthorized trading. ([FINRA Case #2016051009001](#))

Ryan Edward Cox ([CRD #3018153](#), Columbus, Georgia) submitted an AWC in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Cox consented to the sanctions and to the entry of findings that he and his wife accepted cash gifts from customers at his member firm, in violation of the firm's policies. The findings stated that the firm required its registered representatives to complete quarterly questionnaires to confirm compliance with firm policies and procedures. Despite having received cash gifts, Cox falsely stated on quarterly questionnaires that he had not received cash gifts from any firm customers.

The suspension is in effect from January 17, 2017, through March 16, 2017. ([FINRA Case #2015044840001](#))

Kevin Thomas Curry ([CRD #2394669](#), Cove Neck, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Curry consented to the sanctions and to the entry of findings that he exercised discretion in a customer's account without obtaining the customer's prior written authorization or his member firm's written approval of the account as discretionary. The findings stated that while Curry and his customer spoke and agreed upon investments for the customer's account, Curry exercised time and price discretion in executing transactions on dates when he had not spoken with the customer.

The suspension was in effect from January 3, 2017, through January 17, 2017. ([FINRA Case #2014042721001](#))

Jon P. Debow ([CRD #4896406](#), Yardley, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Debow consented to the sanctions and to the entry of findings that he engaged in a check-kiting scheme whereby he wrote 38 checks totaling \$46,280 from two personal bank accounts at his member firm knowing that he had insufficient funds to cover those checks.

The suspension is in effect from January 3, 2017, through July 2, 2018. ([FINRA Case #2015045674901](#))

Dennis Anthony Edmonds ([CRD #2339956](#), Wilmington, North Carolina) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for 11 months. In light of Edmonds' financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Edmonds consented to the sanctions and to the entry of findings that while associated with two member firms, he participated in the sale of international asset protection trusts without giving his firms prior written notice of his participation in these transactions and without obtaining their approval to sell the product. The findings stated that Edmonds began recommending international asset protection trusts to his clients through a marketing firm. The international asset protection trusts

were established by individuals and the owner of the trust typically placed an insurance policy in the trust as its corpus. Edmonds signed the trust deed as the “protector” on some of these trusts and signed agreements to make him the investment manager of the trusts, which allowed him to manage the assets of the trusts on behalf of the owners. As the investment manager, Edmonds directed that the funds in the trusts be invested in securities in the form of a foreign investment fund.

The findings also stated that Edmonds participated in the creation of asset protection trusts for individuals while associated with both firms. Edmonds participated in the investments of individuals who invested over \$1.6 million in the foreign investment fund’s securities. Edmonds was paid a percentage of the total amount each customer deposited into an international asset protection trust as well as a percentage of any additional funds deposited by the customer into the trust after the trust was established. The findings also included that the international asset protection trusts were never approved as a product that could be sold by the firm’s registered representatives, and Edmonds’ participation in the trusts and the investments made in them were not reviewed or supervised by either firm.

The suspension is in effect from January 3, 2017, through December 2, 2017. ([FINRA Case #2014039863301](#))

Alejandro Falla (CRD #5064828, Miami, Florida) submitted an Offer of Settlement in which he was fined \$60,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the allegations, Falla consented to the sanctions and to the entry of findings that he charged his customers undisclosed markups and markdowns in certain separate fixed income transactions. The findings stated that prior to the transactions, Falla’s member firm had agreed with an investment advisor acting for firm customers that the markups and markdowns on the transactions would be no more than 15 basis points. Falla did not honor that agreement. Instead, Falla entered into a series of undisclosed, pre-arranged transactions with another broker-dealer to create the appearance that Falla and his firm were honoring the 15 basis points agreement. Falla did not provide a price to customers that was as favorable as possible under prevailing market conditions. In effecting the customer transactions, Falla failed to disclose to the investment advisor or the customers the true acquisition costs and sales proceeds of the bonds he had purchased from and/or sold to the customers, failed to disclose to the customers his pre-arranged trades with the other broker-dealer, and failed to disclose that he had charged markups/markdowns that exceeded 15 basis points on each transaction. Consequently, Falla caused the investment advisor and the customers to believe that his firm had charged only 15 basis points for each of the customer transactions, as was contemplated and agreed to by the investment advisor and Falla’s firm, when in fact the true costs of each transaction to the customers, and profits made by Falla’s firm, were higher. All of the pre-arranged trades resulted in the publication and circulation of

communications and reports of non-bona-fide purchases and sales of the subject bonds. As a result of Falla's misconduct, his firm charged additional markups and markdowns totaling \$99,543.21, which were not disclosed to the investment advisor or the customers. Based on the foregoing misconduct, Falla violated Section 17(a)(2) of the Securities Act.

The suspension is in effect from December 19, 2016, through June 18, 2018. ([FINRA Case #2016050092301](#))

Kirk Lynn Ferguson (CRD #1307741, Farmington, Utah) submitted an Offer of Settlement in which he was assessed a deferred fine of \$25,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Ferguson consented to the sanctions and to the entry of findings that his member firm, acting through his capacity as the firm's president and CCO, facilitated the liquidation of more than 3.3 billion shares of four unregistered microcap stocks that two customers deposited into their firm accounts. The findings stated that the accounts at issue were opened for two corporations by an individual. While the individual was the only authorized contact on both accounts, the firm permitted her husband to exercise control over both accounts and to direct the firm to liquidate unregistered penny stocks in the accounts. The firm failed, in the face of red flags, to conduct an investigation into the husband and as a result, the firm failed to discover the husband's significant securities-related disciplinary history, which included being barred by NASD and being barred by the SEC from participating in penny stock offerings.

The findings also stated that the penny stock liquidation activity in the two accounts followed the same pattern: The accounts acquired penny stocks or debt instruments that were later converted into purported free-selling shares of penny stocks, the individual or her husband liquidated the shares shortly after deposit, and the individual or her husband wired the proceeds out of their accounts shortly after the sales. Sales of certain penny stocks often represented a significant percentage of the stock's outstanding shares and its daily trading volume. Further, the shares were not registered with the SEC, nor were the sales exempt from registration. Ferguson and his firm caused the sale of unregistered securities. From these illicit sales, the individual and her husband generated over \$5 million in proceeds, and the firm collected approximately \$144,010 in commissions.

FINRA found that the firm and Ferguson, as its president and CCO, failed to establish, maintain, and enforce a supervisory system and WSPs that were reasonably designed to achieve compliance with securities laws and rules. FINRA also found that Ferguson, as the direct supervisor of the firm's AMLCO, failed to supervise the AMLCO to ensure that the AMLCO, as the registered representative on the accounts, conducted a reasonable and meaningful inquiry and independent due diligence in connection with his customers' penny stock liquidations. Ferguson further failed to adequately and meaningfully analyze documents collected from firm customers and independently verify the provided information, and failed to identify red flags that indicated that penny stock sales were or could be illegal distributions of unregistered stocks.

The suspension is in effect from December 19, 2016, through December 18, 2018. ([FINRA Case #2012030459101](#))

Mikhail Fraiman (CRD #4398788, Staten Island, New York) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Fraiman consented to the sanctions and to the entry of findings that he engaged in two outside business activities without notifying or obtaining his member firm's approval. The findings stated that Fraiman was a founding and managing member of a company through which he purchased and rented out a home in Florida and established another company as a networking and comedy club. The findings also stated that Fraiman invested personal funds and participated in a private securities transaction with a real estate development company without first notifying or obtaining approval from the firm. The findings also included that Fraiman falsely represented to his firm on five annual compliance questionnaires that he had previously disclosed to the firm all outside business activity with which he was involved, when he had not.

The suspension is in effect from January 17, 2017, through April 16, 2017. ([FINRA Case #2015044167101](#))

Maria Cristina Gemskie (CRD #5715415, Chicago, Illinois) submitted an AWC in which she was assessed a deferred fine of \$12,500, suspended from association with any FINRA member in any capacity for 30 days and required to pay \$81.03 in disgorgement, plus prejudgment interest. Without admitting or denying the findings, Gemskie consented to the sanctions and to the entry of findings that while associated or registered with a member firm, she purchased four IPOs in a personal brokerage account she held at another member firm. The findings stated that persons associated with a member are prohibited from selling, or causing to be sold, a new issue to any account in which a restricted person has a beneficial interest. The findings also stated that Gemskie failed to promptly report to the firm that she held five personal brokerage accounts at other FINRA member firms, including her account where she purchased the IPOs. Gemskie eventually disclosed the accounts to her firm.

The suspension was in effect from December 19, 2016, through January 17, 2017. ([FINRA Case #2016049087601](#))

Matthew J. Giannone (CRD #2800349, Wantagh, New York) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Giannone consented to the sanctions and to the entry of findings that he accepted a personal loan of \$35,000 from a married couple who were long-time customers of his without notifying or seeking pre-approval from his member firm. The findings stated that the customers later complained to the firm about the loan, which was not formally documented. The firm then required

Giannone to repay the loan in full with interest, which he did. The findings also stated that Giannone used his mobile phone to communicate with customers via text message without the firm's knowledge. The firm did not review or retain any of the text messages.

The suspension was in effect from January 3, 2017, through February 14, 2017. ([FINRA Case #2015048067801](#))

David Bernard Girton ([CRD #1317773](#), Indianapolis, Indiana) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Girton consented to the sanctions and to the entry of findings that he willfully failed to timely disclose unsatisfied judgments on his initial Form U4, and willfully failed to timely amend his Form U4 to report unsatisfied judgments and state tax liens.

The suspension is in effect from January 3, 2017, through May 2, 2017. (FINRA Case #2015043649101)

Scott Forrest Goldman ([CRD #1682329](#), Lincolnshire, Illinois) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 20 days. Without admitting or denying the findings, Goldman consented to the sanctions and to the entry of findings that he recommended an investment strategy to an elderly customer that was unsuitable because it unduly concentrated her in risky, leveraged precious metal products. The findings stated that the customer received a prospectus but was not adequately informed of the investment components in that she did not understand the nature of and market risk associated with it. FINRA did not impose restitution of losses because the customer recouped her losses via a settlement.

The suspension was in effect from January 17, 2017, through February 5, 2017. ([FINRA Case #2013036819901](#))

Suzanne Marie Hagemeyer ([CRD #1464414](#), Naperville, Illinois) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Hagemeyer consented to the sanctions and to the entry of findings that she misstated the amount of surrender charges associated with variable annuity transactions, causing her member firm's books and records to be inaccurate.

The suspension was in effect from December 19, 2016, through January 18, 2017. ([FINRA Case #2013036907001](#))

Mark Robert Holcombe ([CRD #2901441](#), Pompano Beach, Florida) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for nine months. Without admitting or denying the findings, Holcombe consented to the sanctions and to the entry of findings that he participated in two separate private securities transactions involving a company for which he served as the

chairman of the board of directors without providing prior written notice to his member firm. The findings stated that Holcombe sold two million shares of his own company stock to a third party for \$100,000, and participated in the company's sale of senior secured convertible debentures to the same third party for \$2.3 million by executing the note purchase agreement on the company's behalf.

The suspension is in effect from December 19, 2016, through September 18, 2017. ([FINRA Case #2015048236401](#))

Gary Hume (CRD #1216949, Syracuse, Utah) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Hume consented to the sanction and to the entry of findings that he, as his member firm's AMLCO, the firm, and its president and CCO, facilitated the liquidation of over 3.3 billion shares of four unregistered microcap stocks that two customers deposited into their accounts at the firm. The findings stated an individual opened the accounts at issue for two corporations. While the individual was the only authorized contact on both accounts, the firm permitted her husband to exercise control over both accounts and to direct the firm to liquidate unregistered penny stocks in the accounts. The penny stock liquidation activity in the two accounts followed the same pattern: The accounts acquired penny stocks or debt instruments that were later converted into purported free-selling shares of penny stocks, the individual and/or her husband liquidated the shares shortly after deposit, and the individual and/or her husband wired the proceeds out of their accounts shortly after the sales. Sales of certain of the penny stocks often represented a significant percentage of the stock's outstanding shares and its daily trading volume. Further, the shares were not registered with the SEC, nor were they exempt from registration. The firm, its president and CCO, and Hume caused the sale of unregistered securities. From these illicit sales, the individual and her husband generated over \$5 million in proceeds, and the firm collected approximately \$144,010 in commissions.

The findings also stated that Hume failed to establish and implement AML policies and procedures that could reasonably detect and cause the reporting of suspicious activity. Hume failed to follow the instructions contained in the firm's AML program, including failing to conduct due diligence on the firm's customers in the presence of red flags, including that firm customers had securities-related disciplinary histories, and that individuals with a beneficial interest in firm accounts were paying for stock promotions while they were simultaneously liquidating penny stocks of the same security. Hume often failed to detect the red flags, and even when detected, he did not take any action to investigate them or determine whether to file a SAR. ([FINRA Case #2012030459101](#))

Ying Ying Jing (CRD #4626484, Foster City, California) submitted an AWC in which she was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Jing consented to the sanctions and to the entry of findings that she submitted false information into her

member firm's IPO allocation system, which caused the firm to maintain inaccurate books and records. The findings stated that Jing effected customer IPO syndicate allocations based upon instructions she received from another registered representative at the firm. The findings stated that Jing was aware that there were informal verbal agreements between these customers and another representative at the firm, pursuant to which IPO shares were to be purchased and/or sold from their accounts without the need for immediate prior confirmation. Jing was also aware that no one at the firm had obtained written authorization to exercise discretion in these customer accounts and that the firm prohibited the use of discretion in connection with IPO transactions. For 95 customer purchases, Jing falsely indicated in the system that she had received client authorization to effect these transactions when she had not received any such authorization.

The suspension is in effect from December 19, 2016, through February 18, 2017. ([FINRA Case #2013039280302](#))

David Dereck Kassir (CRD #2814059, Arlington, Virginia) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any principal capacity for 30 days. Without admitting or denying the findings, Kassir consented to the sanctions and to the entry of findings that his member firm failed to create FINRA Rule 3130 annual certification reports for years 2011 through 2014, yet Kassir certified each year that the reports existed and that he had reviewed them as the firm's CEO and CCO.

The suspension is in effect from January 17, 2017, through February 15, 2017. ([FINRA Case #2015043387901](#))

Davood Kohan (CRD #2183627, South Jordan, Utah) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Kohan consented to the sanctions and to the entry of findings that after a customer complained to him regarding losses in her account, Kohan improperly settled the complaint when he agreed to pay the customer \$1,000 per month, without notifying his member firm of the dispute or the settlement as the firm's WSPs required. The findings stated that Kohan paid the customer approximately \$27,000. When the customer demanded more money, Kohan informed his firm of the new demand and denied having previously paid the customer any funds.

The suspension is in effect from December 19, 2016, through February 18, 2017. ([FINRA Case #2015048046301](#))

Thomas John Leone (CRD #1239633, West Simsbury, Connecticut) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 12 months. Without admitting or denying the findings, Leone consented to the sanctions and to the entry of findings that he forged a customer's signature by electronically affixing a copy of the signature onto multiple documents related

to an application to convert her existing term life insurance policy to a whole life insurance policy. The findings stated that Leone then submitted forged application documents to his member firm's affiliated insurance company on the customer's behalf, even though the customer had not authorized the application. Leone subsequently caused premium payments to be debited from a bank account belonging to the customer's husband without his authorization, after falsifying a pre-signed payment authorization form. The insurance company has since refunded those amounts.

The suspension is in effect from January 3, 2017, through January 2, 2018. ([FINRA Case #2016050225201](#))

Robert Joseph Luchini ([CRD #1037759](#), Kersey, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Luchini consented to the sanctions and to the entry of findings that he impersonated customers of his member firm during telephone calls in order to execute trades or process account redemptions on the customers' behalf. The findings stated the customers authorized each of the transactions. When the firm questioned Luchini about the transactions, he admitted to impersonating the customers during calls with the firm's service desk in order to effect transactions on the customers' behalf.

The suspension was in effect from January 3, 2017, through February 14, 2017. ([FINRA Case #2015045813601](#))

Anthony Mastroianni Jr. ([CRD #2151249](#), Staten, Island) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mastroianni consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony related to allegations that he engaged in excessive trading or churning in an elderly customer's account maintained at his former member firms, and borrowed funds totaling \$90,000 from that customer and an additional customer in four transactions, without notifying his firms or obtaining their approval. ([FINRA Case #2015047001401](#))

Paul John McCabe Jr. ([CRD #2751063](#), Chappaqua, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, McCabe consented to the sanction and to the entry of findings that he refused to provide FINRA with requested information and documents in connection with a cycle examination of his member firm. ([FINRA Case #2016049532803](#))

Manuel Angel Mejia-Gomez ([CRD #2259727](#), San Juan, Puerto Rico) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Mejia-Gomez consented to the sanctions and to the entry of findings that he executed unauthorized transactions in a customer's account. The findings stated that

after the customer complained, Mejia-Gomez's member firm cancelled the transactions and Mejia-Gomez reimbursed the firm for the losses of approximately \$15,000 that resulted from the cancellation of the transactions. The findings also stated that Mejia-Gomez exercised discretionary authority in customer accounts. On multiple occasions, Mejia-Gomez liquidated securities in a customer's account in order to meet the customer's cash-flow obligations. Mejia-Gomez did not have the customer's authorization to liquidate the specific securities that were selected for liquidation. The customer's authorized representative told Mejia-Gomez that a specific bond needed to be liquidated in order to meet cash-flow obligations. Instead of following the customer's instructions to liquidate that bond, Mejia-Gomez consulted with a different employee of the customer, who was not authorized to make trading decisions on the customer's account, about his concerns over the customer's potential losses from the liquidation of the bond, and then used discretion to liquidate a different security on the instruction of the unauthorized employee of the customer. Mejia-Gomez also engaged in discretionary trading in another customer's account when he liquidated mutual funds and purchased new mutual funds in that customer's account using discretion. Finally, Mejia-Gomez sold a mutual fund and purchased a new mutual fund in another customer's account using discretion on the instruction of the customer's father, who was not authorized to direct trading in the customer's account. Mejia-Gomez did not obtain any of the customers' written authorization to exercise discretion in their accounts, and his firm did not approve the accounts in writing as discretionary accounts.

The suspension is in effect from December 19, 2016, through March 18, 2017. ([FINRA Case #2015044285701](#))

Elizabeth Ann Monge ([CRD #1925364](#), Edmond, Oklahoma) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Monge consented to the sanctions and to the entry of findings that she failed to respond in a timely manner to FINRA's requests for documents and information relating to disclosures her former member firm had made on her Uniform Termination Notice for Securities Industry Registration (Form U5). The findings stated that after not receiving responses to the requests, FINRA issued a Notice of Suspension pursuant to FINRA Rule 9552 to Monge, which suspended her on November 23, 2015, for not responding to the requests. Monge contacted FINRA on January 25, 2016, to request a termination of her suspension, and after receiving a complete response to the requests pursuant to FINRA Rule 8210, FINRA terminated her suspension on January 29, 2016.

The suspension is in effect from December 19, 2016, through June 18, 2017. ([FINRA Case #2015044895702](#))

Roberto Montano ([CRD #3003372](#), Chicago, Illinois) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Montano consented to the sanctions and to the entry of findings that he accepted loans from two customers of his member firm despite his firm prohibiting loaning or borrowing money to or from customers who were not family members. The findings stated that Montano was not related to the customers. One of the loans is still unpaid.

The suspension is in effect from January 3, 2017, through April 2, 2017. ([FINRA Case #2016049236701](#))

Nick L. Morgan ([CRD #4096036](#), Jackson, Mississippi) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Morgan consented to the sanctions and to the entry of findings that he maintained customer signatures on blank or partially blank forms while associated with two FINRA member firms, in violation of those firms' policies and procedures. The findings stated that Morgan caused one blank signed form to be completed and submitted to his firm for processing, which caused the firm to have inaccurate books and records. As an accommodation to a customer, Morgan caused the customer's name and account number to be added on a withdrawal form, and selected "full distribution" on that form after the customer had signed it. Morgan then caused the form to be submitted for processing. After the transaction was completed, the withdrawal request form was maintained in the customer's file at the firm.

The suspension is in effect from January 3, 2017, through June 2, 2017. ([FINRA Case #2015044366101](#))

Louise J. Neale ([CRD #4693750](#), Dunwoody, Georgia) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Neale consented to the sanction and to the entry of findings that she refused to appear for FINRA on-the-record testimony as part of an investigation into the circumstances surrounding her voluntary resignation from her member firm. ([FINRA Case #2015047176001](#))

Matthew David Niederbaumer ([CRD #4553475](#), Huron, South Dakota) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Niederbaumer consented to the sanctions and to the entry of findings that he exercised discretion in executing transactions in connection with the sale and purchase of exchange-traded notes and funds in five of his customer's accounts. The findings stated that while the customers consented to the transactions, Niederbaumer did not obtain the customers' prior written authorization to exercise discretion in the accounts, and his member firm did not approve the accounts for discretionary trading.

The suspension was in effect from January 3, 2017, through January 17, 2017. ([FINRA Case #2016050492401](#))

Jeffrey Lance Offen ([CRD #2893980](#), Ronkonkoma, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Offen consented to the sanctions and to the entry of findings that he failed to timely update his Form U4 to disclose reportable information.

The suspension is in effect from January 3, 2017, through March 3, 2017. ([FINRA Case #2016048415301](#))

Phillip Howard Palmer ([CRD #1037871](#), Tulsa, Oklahoma) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in a principal capacity for two-and-a-half months. Without admitting or denying the findings, Palmer consented to the sanctions and to the entry of findings that his member firm, through Palmer, failed to establish, maintain, and enforce an adequate supervisory system and WSPs concerning the supervision of electronic correspondence and external email addresses. The findings stated that the firm's WSPs were inadequate because they did not address the method for review or the evidence of review. Palmer was also responsible for the supervisory review of electronic correspondence, but failed to adequately document his reviews during this time period.

The findings also stated that Palmer failed to establish, maintain, and enforce an adequate supervisory system and WSPs to ensure that the firm archived external email addresses firm registered representatives and personnel used to engage in correspondence relating to the firm's securities business. The firm's WSPs required registered representatives to use a preapproved email address compatible with a third-party email system and attest that no other email address was being used to communicate with clients, vendors or internal staff at the firm. The firm also required registered representatives to disclose external email addresses in response to annual questionnaires so that the firm could search for those email addresses in each archived email. However, the firm failed to conduct such searches. The firm also did not require non-registered personnel to complete the annual questionnaire. Consequently, Palmer failed to ensure that those external email addresses disclosed by registered representatives or otherwise known to the firm, which were being used to engage in correspondence relating to the firm's securities business, were, in fact, being archived. The findings also included that due to the foregoing supervisory failures, four of the firm's registered representatives and one non-registered fingerprint person used external email addresses to engage in correspondence relating to the firm's securities business that were not archived by the firm. Palmer knew or should have known of the existence and use of these outside email addresses, yet failed to ensure that the firm properly archived them.

FINRA found that Palmer failed to establish, maintain, and enforce an adequate supervisory system and WSPs relating to firm surveillance of customer monetary withdrawals from variable annuities. Palmer was also responsible for reviewing variable annuity activity through a system for all firm registered representatives. Palmer flagged variable annuity withdrawals totaling \$973,739.33 for seven of a registered representative's customers at the firm. Palmer nevertheless failed to take reasonable supervisory steps to verify the variable annuity transactions and purpose of the withdrawals. In particular, Palmer failed to contact the customers directly regarding his concerns and instead relied primarily on the registered representative's explanations for the withdrawal activity.

The suspension is in effect from January 17, 2017, through March 31, 2017. ([FINRA Case #2015043295203](#))

Tyson Jon Palyka (CRD #5010656, Ann Arbor, Michigan) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Palyka consented to the sanctions and to the entry of findings that he engaged in discretionary trading when he effected securities transactions in customer accounts. The findings stated that Palyka exercised discretion without having obtained the customers' prior written authorization to exercise discretion and his member firm's prior written acceptance of the accounts as discretionary. Palyka's firm generally prohibited discretionary trading in its customer accounts.

The suspension was in effect from December 5, 2016, through January 3, 2017. ([FINRA Case #2015047511701](#))

Ronal Fair Paull III (CRD #2968273, Scott Township, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Paull consented to the sanctions and to the entry of findings that he began contacting customers for whom he sold and serviced variable annuity accounts and obtained their verbal permission to discretionarily rebalance their variable annuity's separate account on a quarterly basis for a period of one year. The findings stated that his customers had agreed to Paull's request, though in each case, Paull failed to obtain the customer's written authorization, and his member firm had not accepted the customers' accounts as discretionary. Paull exercised discretion when rebalancing variable annuity accounts for customers who had verbally consented to this arrangement. The firm was unaware of Paull's conduct until during an internal branch exam of Paull's office, when Paull voluntarily disclosed to the firm his practice of obtaining standing, verbal authorization to discretionarily rebalance customers' variable annuity subaccounts. After learning of Paull's activity, the firm instructed him to stop placing discretionary trades and terminated his registration.

The suspension was in effect from January 3, 2017, through January 17, 2017. ([FINRA Case #2015046621101](#))

Brian Joseph Petterle (CRD #1882084, Grosse Ile, Michigan) submitted an AWC in which he was assessed a deferred fine of \$10,000, suspended from association with any FINRA member in any capacity for 30 business days, and ordered to pay deferred disgorgement of \$2,025, plus interest. Without admitting or denying the findings, Petterle consented to the sanctions and to the entry of findings that he purchased shares in an IPO in an undisclosed brokerage account while registered with his member firm, resulting in a \$2,025 imputed profit to Petterle. The findings stated that Petterle failed to promptly notify his firm in writing that he had two brokerage accounts that he held away from it. Persons associated with a member are prohibited from purchasing a new issue in any account in which such person associated with a member has a beneficial interest.

The suspension was in effect from December 19, 2016, through February 1, 2017. ([FINRA Case #2016049086101](#))

Joe Edward Poe Jr. (CRD #1650897, Midwest City, Oklahoma) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Poe consented to the sanctions and to the entry of findings that he willfully failed to disclose two state tax warrants and a federal tax lien totaling approximately \$330,000 on his Form U4.

The suspension is in effect from January 3, 2017, through July 2, 2017. ([FINRA Case #2015043352501](#))

Tania Yolanda Ramirez (CRD #5855616, Chicago, Illinois) submitted an AWC in which she was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the findings, Ramirez consented to the sanctions and to the entry of findings that she falsified business records by using false information in order to open payment plan accounts for customers at her member firm. The findings stated that in order to open a payment plan account, a customer had to provide a bank account or credit card number or a reserve payment equal to one additional month's premium. Rather than following this procedure, Ramirez and her agency used fake bank account numbers for customers on these accounts. As a result, these customers were able to open payment plan accounts when they otherwise would not have been able to. Ramirez and the employees she supervised were compensated for opening these new accounts.

The suspension is in effect from January 3, 2017, through January 2, 2019. ([FINRA Case #2016048753801](#))

Moises David Rivera-Castillo (CRD #6107604, West Harrison, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Rivera-Castillo consented to the sanction and to the entry of findings that he failed to provide FINRA with requested documents

and information during the course of an investigation into allegations that he issued unauthorized bank debit cards and used those cards to make purchases and withdraw funds for personal use. ([FINRA Case #2016051455801](#))

Brian Carey Sak ([CRD #3259830](#), Buffalo Grove, Illinois) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sak consented to the sanction and to the entry of findings that he failed to provide FINRA with requested documents and information during the course of its investigation into allegations that he, without his member firm's approval, solicited a client to invest in an outside business. ([FINRA Case #2016050391301](#))

Richard Edwin Seidel ([CRD #1063282](#), Reading, Pennsylvania) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for four months. In light of Seidel's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Seidel consented to the sanction and to the entry of findings that he borrowed \$55,000 from his member firm's customer, who was also his longtime personal friend, without seeking or obtaining his firm's pre-approval. The findings stated that Seidel and the customer did not have any written or verbal agreement regarding the timing or other terms of repayment, and Seidel has not repaid any portion of the loan. At the time of the loan, the firm's policies and procedures allowed representatives to borrow from customers only where the customer was a member of the representative's immediate family. The firm discovered the loan when one of the customer's relatives complained about it.

The suspension is in effect from December 19, 2016, through April 18, 2017. ([FINRA Case #2016050057401](#))

David Richard Shapiro ([CRD #830814](#), New York, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Shapiro consented to the sanctions and to the entry of findings that he exercised discretion in a customer's account without obtaining his member firm's written authorization. The findings stated that Shapiro met with the customer to discuss the transfer of her account to him and a potential investment strategy. Shapiro subsequently took over the management of the customer's account and began implementing the investment strategy they discussed. Shapiro exercised discretion in line with the agreed-upon investment strategy and placed trades in the customer's account. However, Shapiro failed to obtain the customer's written authorization or his firm's written approval to treat the account as discretionary.

The suspension was in effect from January 3, 2017, through January 24, 2017. ([FINRA Case #2015047365001](#))

Stephen Marc Silver ([CRD #5941173](#), Bondi, Australia) submitted an AWC in which he was assessed a deferred fine of \$25,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Silver consented to the sanctions and to the entry of findings that he failed to disclose that he opened two outside securities accounts at an Australian broker-dealer in the names of two investment entities that he controlled, and deposited and sold securities in those accounts and a previously disclosed securities account. The findings stated that Silver made misrepresentations to his member firm concerning the compensation he was to receive from his participation in a private securities transaction and the sales activity of securities in his outside accounts.

The suspension is in effect from January 3, 2017, through June 2, 2017. ([FINRA Case #2015047130101](#))

Joshua Brian Silverstein ([CRD #6087683](#), Las Vegas, Nevada) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Silverstein consented to the sanctions and to the entry of findings that in a series of telephone calls to an insurance company, he impersonated one of its appointed agents, three individuals who had annuity contracts with the company, and a relative of an individual who had an annuity contract with the company. The findings stated that the purpose of these calls was to check on the status of pending annuity surrender requests made by the annuity contract holders and to discuss a contemplated withdrawal for one of the contract holders.

The suspension was in effect from January 3, 2017, though February 14, 2017. ([FINRA Case #2016050430801](#))

John Scott Simpson ([CRD #719367](#), Parkton, Maryland) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Simpson consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony in connection with its investigation into the conduct that gave rise to Simpson's termination from his member firm for violating firm policy regarding use of discretion in client accounts. ([FINRA Case #2016049917701](#))

Larry Allen Stapp ([CRD #1890092](#), Midland, Texas) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Stapp consented to the sanctions and to the entry of findings that he borrowed \$200,000 from an elderly customer at his member firm despite his firm's written policies and procedures that prohibited registered representatives from borrowing money from a customer subject to certain exceptions that were not applicable. The findings stated that Stapp signed a promissory note memorializing the loan from the customer but failed to repay the loan in

time. Stapp repaid the loan months later. The findings also stated that Stapp submitted branch manager/financial advisor questionnaires to the firm in which he falsely affirmed his compliance with the firm's policies and procedures, and that he had not borrowed or loaned any money or securities from or to another individual or entity. Stapp also falsely stated to a firm representative that the loan was not from a firm customer.

The suspension is in effect from December 19, 2016, through June 18, 2017. ([FINRA Case #2016049399401](#))

Keith Jeffrey Testaverde ([CRD #2380336](#), Staten Island, New York) submitted an AWC in which he fined \$25,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Testaverde consented to the sanctions and to the entry of findings that he failed to disclose to his member firm the existence of two outside securities accounts he owned or controlled at another member firm. The findings stated that in one of the accounts, Testaverde was trading in restricted securities that required his firm's preapproval or were outright prohibited. Testaverde falsely represented on the new account form for one of the accounts that he was not registered with a broker-dealer. The findings also stated that Testaverde submitted an annual compliance questionnaire to his firm in which he falsely certified that he had disclosed all of his outside securities accounts.

The suspension is in effect from January 17, 2017, through July 16, 2017. ([FINRA Case #2014042144101](#))

Brian Alexander Torres ([CRD #6713165](#), East Newark, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Torres consented to the sanction and to the entry of findings that he refused to provide FINRA with requested documents and information and to appear for on-the-record testimony in connection with a Form U5 filing reporting that he was discharged from his former member firm for admitting to misappropriating funds from the firm's affiliate bank. (FINRA Case #2016052162301)

John Fotis Valliades ([CRD #726555](#), Eastchester, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Valliades consented to the sanctions and to the entry of findings that he exercised discretion in customers' accounts without obtaining the customers' prior written authorization or his member firm's written approval of the accounts as discretionary. The findings stated that while Valliades and his customers spoke and agreed upon investments for the customers' accounts, he exercised time and price discretion in executing transactions on dates when he had not spoken with the customers.

The suspension was in effect from January 17, 2017, through February 13, 2017. ([FINRA Case #2014042721002](#))

Thomas Joseph Vilord ([CRD #4261608](#), Sewell, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vilord consented to the sanction and to the entry of findings that he participated in undisclosed private securities transactions involving more than \$347,500 in unregistered corporate debenture notes sold to customers of his member firm. The findings stated that Vilord assisted these customers in making the investments by, among other things, preparing transaction paperwork and providing the customers with information about the company issuing the notes. Vilord did not give prior notice, oral or written, to his firm that he would be participating in the offering. The findings also stated that Vilord lacked a reasonable basis to recommend the notes because he failed to conduct adequate due diligence on the offering. Vilord's knowledge of the company was limited to his conversations with the company's owner, information contained on the company's website and Google searches. Although Vilord was familiar with some sources of the company's revenue, he did not know actual revenue and debt amounts, and failed to review the company's financial statements. The findings also included that Vilord willfully failed to timely disclose customer complaints related to the sales on his Form U4 and made false statements about one complaint in a Form U4 filing. FINRA found that Vilord provided false statements regarding the same complaint in his written response to FINRA's request for information and documents concerning the offering and a customer's complaint. ([FINRA Case #2013037385001](#))

Minasan Vo ([CRD #6157756](#), Missouri City, Texas) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vo consented to the sanction and to the entry of findings that she made deposits into her personal savings account in United States currency at the bank branch where she worked, with the intent to deprive the government of information to which it is entitled, specifically, a currency transaction report (CTR). The findings stated that each currency deposit was under the CTR reporting threshold of \$10,000. Vo deposited the cash in amounts of \$10,000 or less to avoid the federal reporting requirements under the Bank Secrecy Act. ([FINRA Case #2015045515601](#))

Joel Martin Weiner ([CRD #1648997](#), Woodstock, Illinois) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Weiner consented to the sanction and to the entry of findings that he received compensation from an outside business activity without providing the requisite prompt or prior written notice to his member firm. The findings stated that Weiner recommended that a large, religiously affiliated institutional customer commit funds to an outside business owned by a registered representative of his firm whom Weiner supervised. The outside business facilitated high-risk loans to small and start-up businesses. Based on Weiner's recommendation, his customer began providing funds to the outside business to finance such loans in amounts ranging from \$300,000 to \$1.2 million, eventually aggregating to \$2.6 million in outstanding loans. Weiner helped the customer set up the bank account it used to fund the loans, and he maintained signature control over

that account as well as discretion to commit the funds. Over several years, Weiner received approximately \$65,000 in aggregate finder's fees in connection with his customer's loan-funding transactions. In late 2014, Weiner's customer changed its internal management, ended its loan-funding activities, and demanded repayment of its outstanding loans. By February 2015, only half of those loans had been repaid. The findings also stated that Weiner provided inaccurate responses about the outside business activity in connection with the firm's annual compliance questionnaires over a period of several years. ([FINRA Case #2015044783402](#))

John Dale Scott Wilson (CRD #728176, Red Wing, Minnesota) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wilson consented to the sanction and to the entry of findings that he converted more than \$1,700 from his member firm by submitting false expense reports. The findings stated that Wilson mischaracterized personal expenses as business-related charges for which he sought and received reimbursement from the firm. (FINRA Case #2016051070501)

Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of December 31, 2016. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future issues of *FINRA Disciplinary and Other Actions*.

Meyers Associates, L.P. nka Windsor Street Capital, LP (CRD #34171, New York, New York) was fined \$350,000 and required to retain, within 60 days of the decision becoming FINRA's final disciplinary action, an independent consultant to conduct a comprehensive review of each of the firm's policies, systems and procedures (written and otherwise), and training that relates to branch supervision and inspections; review of emails; communications with the public, including research reports and sales literature; low-priced securities transactions; monitoring of customer accounts for suspicious activities; transactions in the accounts of registered representatives or their family members; and its AML policies and procedures. The sanctions were based on findings that the firm failed to adequately supervise a newly opened branch office and failed to establish and implement adequate AML policies and procedures reasonably designed to monitor accounts and detect and cause the reporting of suspicious transactions. The findings stated that the firm failed to adequately supervise a representative's efforts to increase the reported price and trading volume of the common stock of a financially distressed company that traded on the OTC Bulletin Board (OTCBB). The firm's supervision of the representative's activities was deficient in that the firm did not adequately review emails sent to and received by the branch office, did not adequately review the representative's trading in the stock and

did not adequately review third-party research reports and other public communications disseminated by the representative (and another representative, at the representative's request). As a result of these deficiencies, the firm did not adequately supervise the representative with a view to preventing violations of Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder and restrictions on the dissemination of research reports and other public communications. The findings also included that the firm failed to adequately supervise the representative's activities in connection with the stock of another entity, which traded on the OTCBB, with a view to preventing him from recommending that a customer buy a stock that he was selling without disclosing his adverse interest.

FINRA found that the firm did not adequately train a representative for his supervisory responsibilities. The firm failed to take basic steps to ensure that the representative was adequately supervising the branch office and did not adequately prepare the supervisor for his AML responsibilities. No one at the firm ever communicated with the supervisor to ensure that he was enforcing the WSPs, no senior officers of the firm ever visited the branch office between the time the branch office opened and when the supervisor left the firm, and the firm never conducted an audit of the branch office. The firm did not provide any AML exception reports to the supervisor, and no one at the firm used AML exception reports for at least the first eight months of 2012. FINRA also found that there were other supervisory deficiencies at the firm, including deficient training and supervision, failure to review emails and deficient WSPs.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2013035533701](#))

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Eddie Basora Jr. ([CRD #4388378](#), Orlando, Florida) was named a respondent in a FINRA complaint alleging that he willfully failed to timely amend his Form U4 to disclose a felony charge and nolo contendere plea, despite having notice of both at the time they occurred. The complaint alleges that Basora failed to appear for FINRA-requested on-the-record testimony without having been excused by FINRA, and to date has not contacted FINRA staff to reschedule the testimony. Basora's failure to appear and testify impeded FINRA's investigation and prevented FINRA from completing its regulatory responsibility to fully investigate potential rule violations, including those for failing to timely update his Form U4 to disclose a federal tax lien and bankruptcies. ([FINRA Case #2014040809501](#))

Michael Timothy Dolan ([CRD #1209079](#), St. Paul, Minnesota) was named a respondent in a FINRA complaint alleging that he participated in the sale of at least \$850,000 of membership interests in a hedge fund to six individuals, five of whom were customers of his member firm, without prior notice to the firm. The complaint alleges that Dolan never received permission from anyone at the firm to participate in any manner in the offering. The firm detected Dolan's involvement with the hedge fund during a supervisory review of Dolan's email and then conducted an investigation. The firm issued Dolan a written warning and special supervision notice in which it disciplined Dolan for his solicitation of the hedge fund. The firm advised Dolan that his solicitation of the investment violated the firm's written policies and procedures. It also required Dolan to pay a \$25,000 penalty to the firm, complete assigned training courses and remain subject to special supervision. ([FINRA Case #2013039306601](#))

Hallmark Investments, Inc. ([CRD #135003](#), New York, New York), **William Howard Coons** ([CRD #2049465](#), West Hartford, Connecticut), **Steven Gary Dash** ([CRD #2438498](#), New City, New York) and **Stephen Phillip Zipkin** ([CRD #2567513](#), Ridgefield, Connecticut) were named respondents in a FINRA complaint alleging that the firm, Dash, and Zipkin sold 39,600 unregistered shares of a company that the firm had acquired pursuant to a consulting agreement to customers at fraudulently inflated prices. The complaint alleges that the firm received 40,000 shares of a company in exchange for providing it with unspecified consulting services. The firm attempted to deposit the 40,000 shares with its clearing firm, but the shares were rejected based on several red flags associated with the firm's receipt of the shares. In response, Dash opened an account in the firm's name at an investment firm for which he was the sole signatory. Dash deposited the 40,000 shares into the firm's newly opened account. At Dash's direction, the firm used pre-arranged trading to sell 39,600 of the 40,000 shares held in the firm's newly-opened account back to the firm. To effect these sales, the firm, Dash and Zipkin willfully or recklessly made numerous misrepresentations of material fact and failed to disclose material facts. As a result, the firm, Dash, and Zipkin willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and violated FINRA Rule 2020.

The complaint also alleges that, in the alternative, by the same fraudulent conduct, the firm, Dash and Zipkin acted in contravention of Sections 17(a) of the Securities Act. The complaint further alleges that to conceal the firm's misconduct, it issued trade confirmations to customers in connection with the sale of the 39,600 unregistered shares of the company that failed to disclose that the firm was acting as a principal for its own account and the difference between the price the firm charged its customers for the shares and the cost to the firm to acquire the shares. As a result, the firm willfully violated Section 10(b) of the Exchange Act and Rule 10b-10 thereunder. All of the trade confirmations falsely identified the transactions as unsolicited, when, in fact, Dash and Zipkin solicited all the trades.

In addition, the complaint alleges that the firm and Dash charged excessive mark-ups on the sales and sold the shares to customers at prices that were not fair and reasonable. The firm received a total of \$122,045.60 from the transactions, representing a mark-up of more than 20,000 percent. Moreover, the complaint alleges that the firm, through Coons and Zipkin, sold or offered approximately 195,000 shares of a corporation to customers of the firm, when these shares were not registered with the SEC, nor were the sales exempt from registration. As a result, the firm, Coons and Zipkin acted in contravention of Section 5 of the Securities Act. The firm generated \$307,250 from these proceeds. Furthermore, the complaint alleges that the firm failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Section 5. The firm's supervisory system was inadequate to reasonably ensure that shares of stock sold through the firm were sold pursuant to an effective registration statement or a valid exemption therefrom. The firm's WSPs did not contain meaningful guidance regarding conducting an inquiry to determine whether shares were eligible for trading. The complaint also alleges that the firm conducted a securities business while failing to maintain its required minimum net capital, willfully violating Section 15(c) of the Exchange Act and Rule 15c3-1. The complaint further alleges that the firm and Dash failed to timely, completely, or at all respond to FINRA's requests for information. ([FINRA Case #2014039352302](#))

Dennis Albert Mehringer Jr. (CRD #722569, Pasadena, California) was named a respondent in a FINRA complaint alleging that he made unsuitable recommendations that caused a customer to engage in excessively expensive short-term trading and intra-day switching of mutual fund Class A shares. The complaint alleges that Mehringer recommended the short-term mutual fund trading and the intra-day mutual fund switching without reasonable grounds to believe that the recommendations were suitable for the customer in light of the frequency and nature of the transactions, including the associated sales loads, based on the customer's investment objectives. Given the long-term nature of Class A mutual fund share investments, along with the sales loads incurred in connection with frequent trading and switching between the relevant mutual funds and mutual fund families, Mehringer's short-term trading and switching was also unsuitable for any customer. Mehringer received \$169,735 in commissions from these transactions.

The complaint also alleges that Mehringer exercised discretion in the same customer's accounts without obtaining the customer's written authorization and his member firm's approval to do so. The complaint further alleges that Mehringer failed to fulfill his fiduciary obligations to a charitable trust he had helped create when, as trustee, he violated the purported charitable purposes of the trust. Mehringer also endangered the favorable tax treatment for donations to the trust, temporarily held trust assets in his own name, and made a risky investment of trust assets without conducting due diligence or taking reasonable steps to protect those assets, and without putting the invested funds into escrow or documenting the investment. Generally, Mehringer breached his fiduciary obligation to the trust by establishing it in such a manner as to give himself potential ownership of the trust's assets and by failing to ensure that it would fulfill its purported

charitable purposes of funding scholarships and educational expenses for underprivileged children at private schools. In addition, the complaint alleges that Mehringer provided false information to his firm when questioned about the use of assets from the trust. Moreover, the complaint alleges that Mehringer settled a customer complaint without providing notice to his firm. Mehringer did not disclose either the complaint or the settlement to his firm's compliance department or to his supervisor, and he submitted false responses to his firm in an annual compliance questionnaire about the complaint and settlement. ([FINRA Case #2014041868001](#))

Source Capital Group, Inc. (CRD #36719, Westport, Connecticut) was named a respondent in a FINRA complaint alleging that it failed to establish, maintain and enforce a supervisory system, including written procedures, reasonably designed to address the risks and potential conflicts of interest posed by two issuers' exercising of supervisory control over an OSJ and two branch offices. The complaint alleges that the firm was aware of certain risks and red flags that required further scrutiny to ensure that the representatives within these offices remained independent from the issuers and of the close relationship between the issuers and certain firm personnel within these offices. The firm was also aware that the issuers provided office space and paid expenses for the firm offices, and that the firm personnel used computer systems the issuers, not the firm, owned and controlled,. Despite this knowledge, the firm failed to take any reasonable steps to ensure that its personnel remained independent from the issuers. Instead, the firm abdicated its supervisory responsibilities by permitting the issuers' principals to control the firm's representatives, systems and operations.

The complaint also alleges that the firm permitted the president and the senior vice president of the issuers to engage in activities requiring principal registration without being properly registered. The complaint further alleges that the firm failed to disclose material facts to prospective investors in contravention of Sections 17(a)(2) and 17(a)(3) of the Securities Act. Specifically, the firm failed to disclose that the issuers paid expenses of the OSJ and the branch offices, the issuers paid non-cash compensation to firm registered representatives, and the president and senior vice president of the issuers exercised significant control over the personnel and operations of the offices. In addition, the complaint alleges that the firm failed to retain and preserve business-related instant messages firm representatives sent and received within the OSJ and branch offices. ([FINRA Case #2014038889501](#))

Wilson-Davis & Co., Inc. (CRD #3777, Salt Lake City, Utah), Byron Bert Barkley (CRD #12469, Salt Lake City, Utah) and James C. Snow Jr. (CRD #2761102, Salt Lake City, Utah) were named respondents in a FINRA complaint alleging that the firm, acting through a former registered representative, failed to find locates for at least 122 short transactions effected in four low-priced stocks. The complaint alleges that the firm improperly relied on the bona-fide market maker exemption pursuant to Rule 203(b)(2) of Regulation SHO (Reg SHO) under the Exchange Act. The firm's claim that it acted as a market maker in

the relevant stocks was false. As a result, the firm willfully violated Rule 203(b)(1) of Reg SHO of the Exchange Act. The complaint also alleges that the firm and Snow, its president and CCO, failed to establish and maintain reasonable supervisory systems and WSPs in connection with the use of the market maker exemption, locate requirements and overall compliance with Reg SHO. The firm and Barkley, its vice president and head of trading, failed to reasonably supervise the former representative's trading activities and failed to ensure his trading activities complied with the Reg SHO. Barkley was not qualified to supervise the firm's market making activity. Barkley did very little to supervise the former representative and essentially permitted him to trade as he wished. Barkley never reviewed any quotes or exception reports to determine whether that representative was participating in bona-fide market making and complying with Reg SHO. Barkley failed to supervise the representative's activity in the little-known penny stock notwithstanding the amount of the firm's capital at risk. Similarly, Snow failed to review or otherwise supervise the former representative's trading activity to ensure it was bona-fide market making and was in compliance with Reg SHO. The firm's inadequate supervisory system, procedures and supervision resulted in numerous violations of Reg SHO. The firm and Snow failed to ensure appropriate supervisors were assigned to supervise each registered representative and registered principal. As a result, the firm and Snow failed to implement a reasonable supervisory system to supervise the registered representatives and principals at the firm. The firm and Snow also failed to enforce the firm's procedures regarding heightened supervision. Snow failed to review the circumstances and document the decision of whether or not to impose heightened supervision on an equity trader at the firm and the firm's primary owner after a disciplinary complaint was filed against them. The firm and Snow further acted in knowing violation of the FINRA Hearing Panel order when permitting the equity trader to remain employed and perform his normal duties between the issuance of the Hearing Panel decision and a later date without heightened supervision. Even after a heightened supervision plan was established for the equity trader, the firm and Snow failed to ensure that the equity trader was, in fact, subject to heightened supervision as required by the Hearing Panel's order. The firm and Snow also failed to reasonably supervise instant message communications for the firm's registered representatives.

The complaint further alleges that the firm and Snow failed to establish and implement adequate AML policies and procedures to detect, investigate and report, where appropriate, suspicious trading activity. The firm and Snow failed to detect and investigate trading activity in a little-known, highly illiquid penny stock despite the presence of numerous red flags indicative of potentially suspicious activity as a result of the failure to establish and implement adequate AML policies and procedures. The firm and Snow never took any investigative steps to assess whether filing a SAR with regard to the activity in the little-known penny stock was warranted as a result of the failure to establish and implement adequate AML policies and procedures. The firm and Snow also failed to conduct adequate AML training. ([FINRA Case #2012032731802](#))

Firm Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

McBarron Capital LLC (CRD #131431)
Greenwich, Connecticut
(December 8, 2016)
FINRA Case #20160521585/DFC160001

Firm Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

McBarron Capital LLC (CRD #131431)
Greenwich, Connecticut
(December 9, 2016)
FINRA Case #2016047634901

Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Kaieteur Investments LLC (CRD #145152)
New York, New York
(December 5, 2016)

Kaieteur Investments LLC (CRD #145152)
New York, New York
(December 9, 2016)

Firm Suspended for Failure to Pay Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Bonwick Capital Partners, LLC (CRD #156469)
New York, New York
(December 12, 2016)

Firm Suspended for Failing to Pay Arbitration Awards Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Legend Securities, Inc. (CRD #44952)
New York, New York
(December 28, 2016)
FINRA Arbitration Case #14-00132

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Troy Christopher Baldrige (CRD #2976766)
Richmond, Virginia
(December 12, 2016)
FINRA Case #2016051017701

Shawn Aaron Bedford (CRD #4674899)
Columbia, Missouri
(December 5, 2016)
FINRA Case #2016050056001

William Joseph Broccio (CRD #6305934)
Staten Island, New York
(December 15, 2016)
FINRA Case #2015048287302

Michael James Coolican IV (CRD #5142906)
Highland, Illinois
(December 19, 2016)
FINRA Case #2015047920501

Brian Michael Gamard (CRD #4616528)
Sound Beach, New York
(December 27, 2016)
FINRA Case #2016049212101

Brian Marc Kennison (CRD #3081096)
Portland, Oregon
(December 22, 2016)
FINRA Case #2016050828701

Jonathan H. Lowell (CRD #6584011)
Delray Beach, Florida
(December 27, 2016)
FINRA Case #2016049859201

Sekou Mansur McClendon (CRD #2960072)
North Bergen, New Jersey
(December 7, 2016)
FINRA Case #2015045048901

Neil David Pecker (CRD #4677111)
Longwood, Florida
(December 29, 2016)
FINRA Case #2016050013101

Patrick Lee Perales (CRD #4595173)
Corpus Christi, Texas
(December 2, 2016)
FINRA Case #2016049054101

Jean Paul Pierre (CRD #6398206)
West Palm Beach, Florida
(December 22, 2016)
FINRA Case #2015047023301

Bryan Daniel Quigley (CRD #5891131)
Philadelphia, Pennsylvania
(December 5, 2016)
FINRA Case #2016050128101

Kimberly Charisse Rice (CRD #3245321)
Bellevue, Washington
(December 5, 2016)
FINRA Case #2016049930201

Jon Brett Schmidhammer (CRD #1548931)
Dublin, Ohio
(December 5, 2016)
FINRA Case #2016050951601

Jay Steven Sutherland (CRD #1218484)
Indian Harbour Beach, Florida
(December 29, 2016)
FINRA Case #2015044457701

Patrick Justin White Sr. (CRD #2346690)
Huntington, New York
(December 19, 2016)
FINRA Case #2016050946701

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Roberto Omar Bastardo (CRD #6570886)
Jupiter, Florida
(December 9, 2016)
FINRA Case #2016051643001

Bernard B. Beal (CRD #710479)
New York, New York
(December 8, 2016)
FINRA Case #20160512081/ARB160040

Christopher John Calandrino (CRD #5238231)
 Lake Ronkonkoma, New York
 (December 1, 2016)
 FINRA Case #2016051602401

Munaem Choudhury (CRD #3077176)
 South Ozone Park, New York
 (September 9, 2016 – December 1, 2016)
 FINRA Case #2016049602301

Donald Joseph Coleman (CRD #5238158)
 New York, New York
 (December 16, 2016)
 FINRA Case #2016049441101

Dawn Deshean Davenport (CRD #6280800)
 Chicago, Illinois
 (December 5, 2016)
 FINRA Case #2015047703701

Thomas A. Davis (CRD #6121035)
 Midway, Georgia
 (December 30, 2016)
 FINRA Case #2016050741701

John Scott Elliott (CRD #5981598)
 Kansas City, Missouri
 (December 27, 2016)
 FINRA Case #2016051253201

Sherman Lee Greer (CRD #4910464)
 Locust, North Carolina
 (December 12, 2016)
 FINRA Case #2016050228901

John Francis Hart (CRD #2044432)
 Richardson, Texas
 (December 5, 2016)
 FINRA Case #2015046728801

Raul Enrique Jacobs (CRD #6004416)
 Mokena, Illinois
 (December 5, 2016)
 FINRA Case #2016050202901

Adela Ovadia Levy (CRD #4964503)
 Valley Stream, New York
 (December 16, 2016)
 FINRA Case #2015046609401

Derrick Joseph Luttrell (CRD #6386882)
 Indianapolis, Indiana
 (December 12, 2016)
 FINRA Case # 2016050454201

Roxanna Andrea Marin (CRD #6467150)
 Forest Park, Georgia
 (December 5, 2016)
 FINRA Case #2016050364001

Farid Morim (CRD #5023477)
 Los Angeles, California
 (October 20, 2016 – December 1, 2016)
 FINRA Case #2015047528201

Ryan Edward O'Neal Jr. (CRD #6613960)
 Philadelphia, Pennsylvania
 (December 27, 2016)
 FINRA Case #2016051446801

Brian Thomas Perry (CRD #2874937)
 Orange Park, Florida
 (December 30, 2016)
 FINRA Case #2016049217101

Francesco Anthony Scarso (CRD #2679981)
 Staten Island, New York
 (December 5, 2016)
 FINRA Case #2016051781701

Keith Patrick Sequeira (CRD #3127528)
 Middletown, New Jersey
 (November 18, 2016 – December 17, 2016)
 FINRA Case #20160510627/ARB160035

Bryan Michael Snyder (CRD #5182049)
 Traverse City, Michigan
 (December 9, 2016)
 FINRA Case #2016049825201

Melanie Sherry Sweet (CRD #2620987)
Davie, Florida
(December 2, 2016)
FINRA Case #2016049072701

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Michael Allen Becking (CRD #2460924)
Rancho Mirage, California
(December 13, 2016)
FINRA Arbitration Case #16-00854

Vladimir Belyaev (CRD #6056976)
Brooklyn, New York
(December 1, 2016)
FINRA Arbitration Case #14-01200

Alina Brindusescu (CRD #4355448)
Los Angeles, California
(December 19, 2016)
FINRA Arbitration Case #16-01227

Scott Louis Capone (CRD #2716835)
Bayport, New York
(December 2, 2016)
FINRA Arbitration Case #15-01024

Mckyle Clyburn (CRD #2829182)
Staten Island, New York
(December 20, 2016)
FINRA Arbitration Case #07-03217

Ronald Scott Cole (CRD #2543774)
Oakland, New Jersey
(December 13, 2016)
FINRA Arbitration Case #16-00727

Willard Lee Golightly (CRD #4395250)
San Antonio, Texas
(December 14, 2016)
FINRA Arbitration Case #14-00115

Gerard Chandler Gremillion (CRD #1816351)
Baton Rouge, Louisiana
(December 6, 2016)
FINRA Arbitration Case #11-00895

Ross H. Mandell (CRD #1219720)
Boca Raton, Florida
(December 20, 2016)
FINRA Arbitration Case #07-03217

Dan Moss Jr. (CRD #341422)
Atlanta, Georgia
(December 7, 2016)
FINRA Arbitration Case #16-01397

Manoj Pataudi Mudgal (CRD #2958098)
Branchburg, New Jersey
(December 13, 2016)
FINRA Arbitration Case #16-01186

Richard James Murphy (CRD #1016183)
New York, New York
(December 14, 2016)
FINRA Arbitration Case #14-01155

Drew Anthony Romeo (CRD #2318618)
Northville, Michigan
(December 21, 2016)
FINRA Arbitration Case #16-01203

Rob Salinger (CRD #5966369)
Albuquerque, New Mexico
(December 19, 2016)
FINRA Arbitration Case #15-03103

Michael David Schwartz (CRD #4554902)
Burr Ridge, Illinois
(December 1, 2016)
FINRA Case #20160499725/ARB160019

Leonard Gregory Stover (CRD #2191158)

Cleveland, Ohio

(December 1, 2016)

FINRA Arbitration Case #15-01052

Joe Don Treece (CRD #2925735)

Rogers, Arkansas

(December 1, 2016)

FINRA Arbitration Case #12-00453

Christopher Robert Vanstelle

(CRD #2635986)

San Diego, California

(December 1, 2016)

FINRA Arbitration Case #15-00551

Stephen Arnold Vaughan (CRD #2594665)

Bellaire, Texas

(December 1, 2016)

FINRA Arbitration Case #16-00119

Richard Diego Vega (CRD #3232067)

Bluffton, South Carolina

(December 21, 2016)

FINRA Arbitration Case #16-01541

FINRA Fines Credit Suisse Securities (USA) LLC \$16.5 Million for Significant Deficiencies in its Anti-Money Laundering Program

FINRA fined Credit Suisse Securities (USA) LLC \$16.5 million for anti-money laundering (AML), supervision and other violations.

FINRA found that Credit Suisse's suspicious activity monitoring program was deficient in two respects. First, Credit Suisse primarily relied on its registered representatives to identify and escalate potentially suspicious trading, including in microcap stock transactions. In practice, however, high-risk activity was not always escalated and investigated, as required. Second, the firm's automated surveillance system to monitor for potentially suspicious money movements was not properly implemented. A significant portion of the data feeds into the system were missing information or had other issues that compromised the system's effectiveness. The firm also chose not to utilize certain available scenarios designed to identify common suspicious patterns and activities, and it failed to adequately investigate activity identified by the scenarios that the firm did utilize.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "It's critical that firms have effective AML systems in place so that they can comply with their obligations to review and report suspicious transactions, including those involving trading in microcap securities or potentially suspicious money transfers."

FINRA found that from January 2011 through September 2013, Credit Suisse failed to effectively review trading for AML reporting purposes. The firm expected its registered representatives, who were the primary contact with the customers, to identify and report to its AML compliance department activity or transactions that were unusual or suspicious based on "red flags" described in Credit Suisse's AML policies. Its AML compliance department was then required to investigate the potentially suspicious activity, document its findings and file Suspicious Activity Reports (SARs) where appropriate. However, the systems and procedures the firm used to monitor trading for other purposes were not designed to detect potentially suspicious activity in order to cause the filing of a SAR, where appropriate, and the other departments and branches of the firm did not effectively assume responsibility for reviewing trading for AML reporting purposes. For example, the trading of one of the firm's customers, a New York-based hedge fund, followed patterns commonly associated with microcap fraud, such as depositing and then quickly selling, with the proceeds being wired out of the account shortly thereafter. However, no one at the firm reviewed the activity in the account for AML purposes.

In addition, Credit Suisse's reliance on representatives to escalate potentially suspicious trading failed to account for the fact that most orders it received from its foreign affiliates came in to the firm electronically and thus were not seen by the firm's sales traders.

FINRA also found that from January 2011 through December 2015, Credit Suisse failed to effectively review potentially suspicious money transfers. The firm used an automated surveillance system to identify red flags of potentially suspicious activity. FINRA found that the firm failed to implement the automated surveillance system properly, including by failing to ensure that the data that was being fed into the system was adequate and by failing to utilize available scenarios that were applicable to the money-laundering risks presented by its business. Although Credit Suisse self-identified some of the deficiencies and retained a consulting firm to assist in evaluating them, the firm initially failed to devote adequate resources to resolve the issues in a timely fashion, and some of the deficiencies remain unresolved today. In addition, FINRA found that Credit Suisse did not have adequate staffing to review the tens of thousands of alerts the automated system generated in any given year.

Additionally, FINRA found that Credit Suisse's procedures were deficient as it relates to compliance with the prohibition of the sale of unregistered securities. Certain Credit Suisse customers deposited and sold microcap shares through the firm, which should have raised red flags indicating that the shares were potentially part of an illegal distribution. The firm's procedures failed to instruct its representatives, prior to executing trades in microcap securities, how to determine whether those securities were registered or subject to an exemption from registration. These failures extended to potentially suspicious trades made in omnibus accounts of the firm's foreign affiliates. As a result, FINRA found that from 2011 to 2013, the firm facilitated the illegal distribution of at least 55 million unregistered shares of securities. The firm subsequently implemented additional procedures limiting the trading of microcap securities.

FINRA's AML Investigative Unit identified the violations during an examination of the firm. The investigation was conducted by the Department of Enforcement.

In settling this matter, Credit Suisse neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Fines Deutsche Bank \$3.25 Million for Deficient Disclosures Concerning the Operation of Its Alternative Trading System

FINRA fined Deutsche Bank Securities Inc. \$3.25 million for failing to provide the same information to all clients of its Alternative Trading System (ATS) relating to certain ATS services and features, and for related violations.

An ATS is a trading venue that executes trades in securities on behalf of broker-dealers and other traders. Securities and Exchange Commission (SEC) Regulation ATS requires that ATS operators disclose certain information to the SEC by filing a Form ATS. In its Form ATS, Deutsche Bank represented that it would provide all ATS users with “identical access to all services and features” offered by the ATS. FINRA found that Deutsche Bank, however, failed to timely or completely disclose to all users the availability of certain ATS services and features, most of which involved the ability to include or exclude counterparties or groups of counterparties against whom orders would execute. As a result, some ATS clients—including high-frequency trading firms—requested and received services that others may not have known were available. This meant that although there was no inappropriate sharing of confidential information, all users did not effectively have identical access to all services and features offered by the ATS.

FINRA found that Deutsche Bank also failed to have adequate supervisory procedures in place to ensure that it disclosed material information regarding the ATS’s services and features to all users and failed to provide accurate information in its Form ATS filings.

“ATSs are significant and important trading venues in today’s equity marketplace. Broker-dealers that operate an ATS must provide complete and accurate information to their customers regarding access to the ATS’s services and features to ensure that customers using the trading platform are not disadvantaged,” said Thomas Gira, Executive Vice President of FINRA’s Market Regulation Department.

In concluding this settlement, Deutsche Bank neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.

FINRA Fines 12 Firms a Total of \$14.4 Million for Failing to Protect Records From Alteration

Matters Reflect FINRA’s Focus on Cybersecurity

FINRA fined 12 firms a total of \$14.4 million for significant deficiencies relating to the preservation of broker-dealer and customer records in a format that prevents alteration. FINRA found that at various times, and in most cases for prolonged periods, the firms failed to maintain electronic records in “write once, read many,” or WORM, format, which prevents the alteration or destruction of records stored electronically.

FINRA imposed sanctions against the following firms:

- [Wells Fargo Securities, LLC and Wells Fargo Prime Services, LLC](#) were jointly fined \$4 million.
- [RBC Capital Markets LLC and RBC Capital Markets Arbitrage S.A.](#) were jointly fined \$3.5 million.
- [RBS Securities, Inc.](#) was fined \$2 million.
- [Wells Fargo Advisors, LLC, Wells Fargo Advisors Financial Network, LLC and First Clearing, LLC](#) were jointly fined \$1.5 million.
- [SunTrust Robinson Humphrey, Inc.](#) was fined \$1.5 million.
- [LPL Financial LLC](#) was fined \$750,000.
- [Georgeson Securities Corporation](#) was fined \$650,000.
- [PNC Capital Markets LLC](#) was fined \$500,000.

Federal securities laws and FINRA rules require that business-related electronic records be kept in WORM format to prevent alteration. The SEC has stated that these requirements are an essential part of the investor protection function because a firm's books and records are the "primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards." Over the past decade, the volume of sensitive financial data stored electronically has risen exponentially and there have been increasingly aggressive attempts to hack into electronic data repositories, posing a threat to inadequately protected records, further emphasizing the need to maintain records in WORM format.

FINRA found that each of these 12 firms had WORM deficiencies that affected millions, and in some cases, hundreds of millions, of records pivotal to the firms' brokerage businesses, spanning multiple systems and categories of records.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "These disciplinary actions are a result of FINRA's focus on ensuring that firms maintain accurate, complete and adequately protected electronic records. Ensuring the integrity of these records is critical to the investor protection function because they are a primary means by which regulators examine for misconduct in the securities industry."

FINRA also found that each of the firms had related procedural and supervisory deficiencies affecting their ability to adequately retain and preserve broker-dealer records stored electronically. In addition, FINRA found that three of the firms failed to retain certain broker-dealer records the firms were required to keep under applicable record retention rules.

In settling this matter, the firms neither admitted nor denied the charges, but consented to the entry of FINRA's findings.