

# Disciplinary and Other FINRA Actions

## Firm Expelled

**Craig Scott Capital, LLC** ([CRD® #155924](#), Uniondale, New York)

September 7, 2017 – An Office of Hearing Officers (OHO) decision became final in which the firm was expelled from FINRA® membership. In light of the expulsion, no monetary sanctions were imposed. The sanction was based on findings that the firm, acting through three registered representatives, excessively traded in customer accounts. The findings stated the trading in the affected customer accounts was excessive based on the cost-to-equity ratios and turnover rates. The registered representatives had de facto control over the trading in the accounts. In light of the level of commissions, markups, markdowns and other charges to the customers, the level of trading was inconsistent with the customers’ objectives and financial situations. The firm was responsible for the excessive trading of customer accounts by its registered representatives and was responsible for the representatives’ excessive trading under principles of *respondeat superior*.

The findings also stated that the excessive trading in customer accounts constituted churning. Accordingly, by churning customer accounts, the firm violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5, and FINRA Rules 2010 and 2020. The findings also included that the firm failed to establish, maintain and enforce a reasonable supervisory system, including written supervisory procedures (WSPs) to prevent excessive trading and churning of customer accounts, and failed to reasonably supervise its registered representatives to prevent these behaviors. The firm’s owners were aware of “red flags” indicating that registered representatives were, or might be, excessively trading and churning customer accounts. Nonetheless, the owners failed to reasonably respond to those red flags and thus failed to exercise reasonable supervision.

FINRA found that the firm failed to establish a reasonable system and procedures to ensure that its sales force avoided contacting persons on the firm-specific do-not-call list and the national do-not-call list. The firm relied on an honor system, whereby members of the sales force would provide names to a sales assistant to place on the firm’s do-not-call list, which was periodically circulated to the registered representatives. Generally, the firm’s cold-callers routinely failed to check, or ignored, the internal list. FINRA also found that the firm provided false information to FINRA regarding the use of recording equipment and the recording of telephone calls at the firm. ([FINRA Case #2015044823501](#))

## Reported for November 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).

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## Firms Fined, Individuals Sanctioned

### **Revere Securities LLC ([CRD #14178](#), New York, New York) and Kurt Alfred Hurst ([CRD #1681153](#), Elizabeth, New Jersey)**

September 7, 2017 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was censured and fined \$75,000. Former branch manager Hurst was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for two months. Without admitting or denying the findings, the firm and Hurst consented to the sanctions and to the entry of findings that the firm failed to develop and implement an anti-money laundering (AML) program that was reasonably designed to achieve and monitor its compliance with requirements of the Bank Secrecy Act. The findings stated that the firm failed to establish and implement policies and procedures that could be reasonably expected to detect and cause the reporting of potentially suspicious activity relating to transactions involving the deposit and liquidation of millions of shares of microcap stocks. In April 2013, a new registered representative joined the firm. Hurst and the representative knew, at the time the representative was on-boarded, that his clients regularly engaged in microcap stock transactions. After the representative joined the firm, many of his customers deposited microcap stocks in physical certificate or electronically, and then proceeded to liquidate those positions and wired out the proceeds shortly thereafter. As branch manager, Hurst was responsible for approving securities deposits and for monitoring the customer activity that followed, including potentially suspicious activity. The representative's customers liquidated more than 23 million shares of microcap stocks, generating proceeds for the customers of approximately \$889,000. The firm's AML procedures were not sufficiently tailored to a microcap stock liquidation business and the associated regulatory risks, including the use of such securities by issuers, stock promoters and others affiliated with the issuers for money laundering or to commit securities fraud or market manipulation. The firm's system for reviewing for potentially suspicious trading activity consisted primarily of its manual review of daily trade blotters, which was conducted by Hurst. However, Hurst failed to identify any of the deposit and liquidation activity of the representative's customers as potentially suspicious, nor he did he escalate any of it to the firm's AML Compliance Officer. This manual review was not reasonably designed to detect patterns of potentially suspicious activity that might occur over the course of days, weeks or months. The firm's system for detecting and investigating red flags relating to the microcap stock activities of representative's customers also was unreasonable. The firm and Hurst failed to identify any of the representative's customers' activities as potentially suspicious notwithstanding the existence of red flags, such as the deposit and liquidation of the same microcap stock by several of the representative's clients in a short timeframe; clients with problematic criminal, civil or regulatory histories; and promotional activity.

The firm and Hurst also failed to establish, maintain and enforce a supervisory system that was reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 (Securities Act). Hurst was responsible for securities deposits, both electronic and

physical, at the firm's New York branch. Neither Hurst nor the firm conducted due diligence or investigations with respect to electronic deposits of microcap stocks and therefore made no determination that those microcap stocks were registered and free from restriction. For physical certificates of microcap stocks, the firm and Hurst relied solely on information obtained from interested parties rather than conducting adequate independent reviews to determine whether proposed resale transactions amounted to unregistered distributions. As a result of these inadequate procedures, the firm and Hurst failed to conduct reasonable due diligence before executing sales of microcap stocks to verify that the transactions were either registered or exempt from registration.

The findings also included that the firm failed to meet the documentation requirements related to microcap stock transactions and failed to establish a supervisory system that was reasonably designed to achieve compliance with the disclosure rules governing penny stock transactions. The firm relied on its registered representatives and trading desk to correctly flag those transactions for which documentation was required and failed to establish a process to test that the system was functioning properly.

The suspension is in effect from October 2, 2017, through December 1, 2017. ([FINRA Case #2014039396101](#))

**Ziv Investment Company ([CRD #4316](#), Chicago, Illinois) and Peter Gordon Ziv ([CRD #1178100](#), Chicago, Illinois)**

September 26, 2017 – An AWC was issued in which the firm was censured and fined \$75,000. Ziv was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for 15 business days. Without admitting or denying the findings, the firm and Ziv consented to the sanctions and to the entry of findings that they failed to establish, maintain and enforce adequate WSPs, and failed to establish an adequate supervisory system related to the review, and documentation of the review, of daily transactions and customer orders. The findings stated that the firm's WSPs failed to make clear the records it would utilize to perform principal reviews of daily transactions, the identity of the registered principals designated to conduct daily supervisory reviews and approvals, and the process to be used to memorialize the review and approvals. Under the firm's WSPs, Ziv, as president and chief compliance officer (CCO), was responsible for establishing, maintaining and enforcing the firm's supervisory control system, policies and procedures to achieve compliance with the federal securities laws and FINRA rules. In addition to the ambiguous WSPs, different principals at the firm had different understandings as to the identity of the specific registered principal responsible for the daily review of transactions and as to how they would conduct and document their reviews. The various principals and operations personnel at the firm also had conflicting understandings and practices regarding the procedures in which to accept customer orders and the exact information required on order tickets. The firm only documented the identity of the representative who was assigned to the account, but not the representative who accepted the orders from the customer, which in many cases was different from the person

assigned to the account. In addition, the trade tickets did not show evidence of principal review. Ziv, the firm's designated registered options principal, delegated the review and approval of options transactions executed by him to a person who was not a registered options principal, even though the firm had another registered options principal. Ziv's delegation of options transactions were unreasonable because they were reviewed and approved by an unqualified principal.

The findings also stated that the firm and Ziv failed to provide documentation that Ziv, or a qualified designee, performed a review and approved discretionary accounts in writing prior to discretionary orders being executed on the accounts' behalf. The findings also included that the firm and Ziv could not demonstrate a reasonable inspection of its branch office, failed to maintain an inspection memorandum for its branch office and failed to evidence the testing and verification of the branch's safeguarding of customer funds and securities, maintenance of books and records, supervision of customer accounts, customer transmittal of funds, and validation of certain customer information.

The suspension was in effect from October 16, 2017, through November 3, 2017. ([FINRA Case #2014039231701](#))

### Firms Fined

#### **CFD Investments, Inc. ([CRD #25427](#), Kokomo, Indiana)**

September 7, 2017 – An AWC was issued 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, maintain, and enforce a reasonable supervisory system designed to ensure the review of its representatives' sales of leveraged and inverse exchange-traded funds (non-traditional ETFs). The findings stated that the firm failed to reasonably supervise the sales of non-traditional ETFs, in that firm representatives sold non-traditional ETFs totaling \$2 million dollars to their customers, involving approximately 150 transactions. The firm did not have written procedures reasonably tailored to address the unique features and risks associated with non-traditional ETFs and did not provide formal training to the representatives involved in selling the products to retail customers. The findings also stated that the firm did not have any exception reports or surveillance tools to monitor the accounts holding non-traditional ETFs for potentially unsuitable and lengthy holding periods. As a consequence, many of the customers held these products for long periods of time. ([FINRA Case #2014039216501](#))

#### **Citigroup Global Markets Inc. ([CRD #7059](#), New York, New York)**

September 8, 2017 – An AWC was issued in which the firm was censured, fined \$65,000, 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 accept or decline in the FINRA/Nasdaq Trade Reporting Facility (FNTRF) transactions in reportable securities

within 20 minutes after execution. The findings stated that the firm's supervisory system for its Convertible Trading Desk did not provide for supervision reasonably designed to achieve compliance with respect to FINRA Rule 7230A(b). The findings also stated that the firm failed to submit to the over-the-counter (OTC) Reporting Facility™ (ORF™) last sale reports of transactions in OTC equity securities within 10 seconds after execution, and failed to submit last sale reports of transactions in OTC equity securities within 10 seconds after execution. ([FINRA Case #2015045971701](#))

**Virtu Financial Capital Markets LLC ([CRD #45986](#), New York, New York)**

September 8, 2017 – An AWC was issued in which the firm was censured and fined \$175,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to maintain electronic brokerage records related to approximately 46 million market-making transactions in "write one, read many" (WORM) format. The findings stated that the firm failed to provide the required 90-day notice to FINRA prior to retaining a vendor to provide electronic storage. The findings also stated that the firm did not have an audit system for those records it failed to maintain in WORM format. The findings also included that the firm failed to obtain an attestation from its third-party vendor that it will supply electronically stored records to regulatory authorities in the event the firm is unable to provide such records. FINRA found that the firm failed to establish, maintain and enforce WSPs reasonably designed to achieve compliance with the record retention requirements under Exchange Act Rule 17a-4. ([FINRA Case #2016051831201](#))

**ITG Inc. ([CRD #29299](#), New York, New York)**

September 12, 2017 – An AWC was issued in which the firm was censured and fined \$22,500, to be paid jointly to FINRA and other exchanges in related disciplinary actions, of which \$3,000 shall be paid to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to take reasonable steps to establish that intermarket sweep orders it routed met the definitional requirements set forth in Regulation NMS Rule 600(b)(30). The findings stated that the firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with Regulation NMS Rule 611(c) and applicable securities laws and regulations regarding the use of intermarket sweep orders. ([FINRA Case #2015045281203](#))

**J.P. Morgan Securities LLC ([CRD #79](#), New York, New York)**

September 13, 2017 – An AWC was issued in which the firm was censured, fined \$1,100,000, and required to revise its WSPs and provide a written report regarding the implementation and performance (to date) of the revised WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that the firm undertook a Code-Split to create separate order management systems (OMS) for its institutional cash clients and for its retail clients. The findings stated that

in implementing the Code-Split, the firm failed to account for certain filters in the firm's prior OMS which resulted in the over-advertisement of trade volume. As a result, the firm erroneously captured volume that had already been advertised on a trade date when it later swept for volume that was delayed for advertising, based on client preference, on trade date plus three (T+3). The firm's prior system also did not filter out replicated parent-child order volume. As a result, an institutional client trade that was advertised appropriately on a particular trade date would be submitted again for advertisement, and in the case of some parent-child orders, more than once, on a T+3 basis. As additional institutional clients were moved to the new OMS, a process that occurred over a four-month period, the impact of the over-advertised T+3 volume increased. The firm likely overstated its advertised trade volume by billions of shares through Bloomberg and AutEx. Ultimately, the firm voluntarily removed billions of shares that it advertised, including advertisements related to actual executions, but not until after the relevant trade dates. The findings also stated that the individual who conducted reviews of the accuracy of advertised trade volume did not have access to firmwide execution volume because of information barriers. Thus, firmwide execution volume was not readily accessible to the individuals conducting reviews of the accuracy of advertised trade volume. This inhibited the firm's ability to adequately know the trade volume for any security to ensure any advertisement of such volume was accurate. The firm also failed to have any supervisory system, including WSPs, in place to review the accuracy of trade volume advertised on a T+3 basis. The firm's supervisory deficiencies adversely affected the firm's ability to adequately review the accuracy of its trade volume advertisements. ([FINRA Case #2012033515001](#))

**Aegis Capital Corp. ([CRD #15007](#), New York, New York)**

September 20, 2017 – An AWC was issued in which the firm was censured, fined \$27,500, ordered to pay \$620.30, plus interest, in restitution to customers, 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 execute orders fully and promptly. The findings stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such a market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also 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 FINRA rules. The firm's WSPs failed to sufficiently provide for the one or more of the minimum requirements for adequate WSPs concerning FINRA Rule 5310 compliance. ([FINRA Case #2016048939201](#))

**Scottrade, Inc. ([CRD #8206](#), St. Louis, Missouri)**

September 22, 2017 – An AWC was issued in which the firm was censured, fined \$170,000, and required to revise its supervisory system, including, but not limited to, its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it did not “media report” 1,130,000 transactions to the OTCRF.

The findings stated that as a result, the quality and usability of information received and employed by FINRA in its overall surveillance of market activity in OTC equity securities was negatively impacted. In addition, information made available to the public as part of FINRA's regular dissemination of information regarding media reported transactions was not made available with respect to these 1,130,000 transactions. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with FINRA's equity trade reporting rules related to media reporting. ([FINRA Case #2015044085201](#))

**Enclave Capital LLC ([CRD #22732](#), New York, New York)**

September 25, 2017 – An AWC was issued 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 conducted a securities business while failing to maintain its required minimum net capital, and maintained inaccurate financial books and records. The findings stated that the firm failed to accrue certain business expenses which resulted in maintaining an inaccurate general ledger and filing inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports. The findings also stated that the firm's net capital deficiencies were caused by the firm's failure to accrue certain business related expenses, the firm's repayment of a loan, a delay in the collection of non-allowable receivables and a monthly operating loss. (FINRA Case #[2015046229701](#))

**Quantriver Financial, LLC ([CRD #153906](#), Fort Meyers, Florida)**

September 25, 2017 – An AWC was issued in which the firm was censured, fined \$10,000, and required to revise its WSPs and provide a representation that revised its WSPs to address its deficiencies. FINRA imposed a lower fine after it considered, among other things, the firm's revenues and financial resources. 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 the Order Audit Trail System (OATS™). The findings stated that the firm's supervisory system was not designed to reasonably achieve compliance with respect to the applicable securities laws and regulations and FINRA rules. The firm's WSPs failed to provide for one or more of the minimum requirements for adequate WSPs concerning OATS reporting. ([FINRA Case #2016050169001](#))

**Aaron Capital Incorporated ([CRD #28583](#), Memphis Tennessee)**

September 27, 2017 – An AWC was issued in which the firm was censured and fined \$5,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it engaged in a securities business while failing to maintain required net capital. The findings stated that the net capital deficiency resulted from the firm's failure to record approximately \$90,000 in liabilities in its general ledger and to include those liabilities in its net capital computations. The firm erroneously calculated and reported an excess net capital in its FOCUS filings. The findings also stated

that the firm's automated email-surveillance system flagged 135,855 emails for review by one of four principals to which it had assigned that responsibility; however, only 73 of those emails were actually reviewed. This resulted from the firm's failure to properly communicate the email-review responsibilities to all of the principals that the firm had designated in its WSPs as responsible for email review. The firm subsequently reviewed the flagged emails after the failure was identified. ([FINRA Case #2015043288701](#))

**H. Beck, Inc. ([CRD #1763](#), Bethesda, Maryland)**

September 27, 2017 – An AWC was issued in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that through a registered representative, made unsuitable recommendations of nontraditional ETFs and metals and mining stocks to a firm customer. The findings stated that the customer, a professional athlete with no investment experience, had a moderate risk tolerance and an investment objective of long-term growth. The customer lost a total of \$1,115,793 on these investments. The findings also stated that the firm allowed its registered representatives to recommend nontraditional ETFs to their customers without establishing and maintaining a supervisory system reasonably designed to ensure that these recommendations were suitable. The firm failed to reasonably tailor its systems and procedures to address the unique risks involved with investing in nontraditional ETFs and did not provide specific guidance to assist its brokers and supervisors in assessing the factors that would make a nontraditional ETF suitable or unsuitable for a particular investor. The firm did not provide any special training relating to the suitability of nontraditional ETFs and reviewed transactions involving nontraditional ETFs in the same manner it reviewed transactions involving standard ETFs and equities. Although the firm used a trade surveillance system to monitor trading in its customers' accounts, it did not implement any parameters to flag transactions involving nontraditional ETFs for further review. As a result, the firm failed to ensure that the securities the registered representative recommended to the customer were consistent with his investment profile, and it failed to identify and investigate these transactions to determine whether these investments were suitable for the customer. The firm's trade surveillance system did not flag for suitability review any of the registered representative's sales of nontraditional ETFs to the customer. The firm paid the customer \$1.5 million to settle his arbitration claims against the firm, which arose in part from the registered representative's recommendations. As a result, the firm is not required to make restitution as part of this settlement. ([FINRA Case #2016048675901](#))

**Wedbush Securities, Inc. ([CRD #877](#), Los Angeles, California)**

September 27, 2017 – An AWC was issued in which the firm was censured and fined a total of \$470,000, of which \$400,000 is payable to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit ROEs to OATS. The findings stated that the firm failed to detect a technology issue that affected its reporting system, which caused the ROEs generated by one of its



sponsored access clients not to be transmitted to OATS. The firm failed to enforce its WSPs, which specified that the firm would review its OATS Web interface reports and data to ensure that all ROEs were being submitted to OATS. Based on the volume of non-reporting and the extended period over which it occurred, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the securities laws and regulations and FINRA rules regarding OATS.

The findings also stated that in 171 instances, the firm accepted a short sale order from another person, or effected a short sale for its own account, without first borrowing the security, or entering into a *bona-fide* arrangement to borrow the security; and had a fail-to-deliver position at a registered clearing agency in such a security that was not closed out in accordance with the requirements of paragraph (a) of Securities and Exchange Commission (SEC) Rule 204. In four instances, the firm executed a short sale order and failed to properly mark the order as short. 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 Rule 204 of Regulation SHO. The findings also included that for 61 settlement dates, the firm reported inaccurate short interest positions. The violations resulted from a coding error that caused the firm to erroneously include short interest positions from certain accounts in the short interest reports the firm submitted to FINRA. 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 short interest position reporting. ([FINRA Case #2011030598001](#))

**Weston Financial Services LLC ([CRD #117946](#), New York, New York)**

September 27, 2017 – An AWC was issued 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 to maintain accurate financial books and records. The findings stated that the firm predominantly engaged in secondary market securities transactions, matching buyers and sellers of alternative investments, including hedge fund interests. While the firm maintained certain underlying purchase and sale information for transactions in multiple different formats and locations, it did not maintain a purchase and sale blotter for these secondary market transactions as required under SEC and FINRA rules. The findings also stated that the firm failed to conduct timely searches of account or transactional information based on requests made by the U.S. Treasury's Financial Crimes Enforcement Network, as required under the Bank Secrecy Act and its implementing regulations. ([FINRA Case #2013035268401](#))

**Chardan Capital Markets LLC ([CRD #120128](#), New York, New York)**

September 28, 2017 – An AWC was issued in which the firm was censured, fined \$135,000, and required to address certain deficiencies. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to conduct reviews for potential marking-the-close activities, as required by its WSPs. The findings

stated that the reports relied upon by the firm failed to identify potential prohibited transactions and practices in proprietary accounts, including potential marking-the-close transactions involving two OTC marketplace securities. Because proprietary orders directed by the firm's proprietary trader were placed on those markets, the firm failed to surveil those orders and failed to detect and prevent potential marking-the-close activity as required by its WSPs.

The findings also stated that the firm failed to enforce a supervisory system, including WSPs, to supervise the activities of the firm's registered representatives and associated persons, which was reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. Although the firm's WSPs included procedures to detect prohibited transactions and practices in proprietary accounts, such as the proprietary trader's marking-the-close activities, the firm failed to conduct order reviews for marking activities, as required by its WSPs. The proprietary trader's marking-the-close activities took place in two OTC markets and, therefore, the firm failed to reasonably supervise for potential marking activities in OTC marketplace securities. ([FINRA Case #2011030509803](#))

**GBM International, Inc. ([CRD #28684](#), Houston, Texas)**

September 28, 2017 – An AWC was issued in which the firm was censured, fined \$15,000, 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 transmit ROEs to OATS. 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 accuracy. The firm's supervisory system did not include WSPs providing for adequate supervisory steps, in that they did not provide for a sampling of OATS reports to underlying order records to verify the accuracy of the firm's OATS reports. ([FINRA Case #2016049504801](#))

**NTB Financial Corporation fka Neidiger, Tucker, Bruner, Inc. ([CRD #7425](#), Centennial, Colorado)**

September 28, 2017 – An AWC was issued 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 contrary to its WSPs, the firm's former CCO allowed certain representatives to use their personal emails to send and/or receive business-related communications, so long as such emails were copied to a firm email address for review and retention purposes. The firm's written procedures were not updated to reflect this modification. In addition, not all representatives complied with the condition that they copy emails to a firm email address. At least three representatives used personal email addresses to send and/or receive business-related emails that were not always copied to the firm. Most of these emails were internal firm communications sent from a firm email address to the representatives' personal email addresses and were thus captured by the firm. Additionally, the firm failed to enforce its WSPs pertaining to email review.

Those procedures required that, on an ongoing basis, 10 percent of all retail registered representatives' emails and five percent of other department emails would be reviewed for "appropriateness of communications" using a random "sampling basis." The firm's email review system flagged a random sample of approximately 350,000 emails for review during a period of time, but the firm reviewed less than one percent of the flagged emails. ([FINRA Case #2015043355601](#))

**Oak Tree Securities, Inc. ([CRD #18126](#), Livermore, California)**

September 28, 2017 – An AWC was issued in which the firm was censured and fined \$50,000. 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 supervisory system, including WSPs, reasonably designed to ensure the security of electronically stored confidential customer information, including failing to oversee, supervise and monitor third-party vendors involved with its public website. The findings stated that the firm used the third-party vendors to create and host its public website, which both contained general information about the firm and allowed registered representatives to access firm systems and account information. The firm, however, did not have any policies and procedures in place to ensure that it maintained the confidentiality of its customers' nonpublic personal information stored and accessed electronically. In addition, the firm did not have policies and procedures in place to adequately supervise its third-party vendors to ensure those vendors maintained the confidentiality of its customers' nonpublic personal information stored and accessed electronically. The firm's purchase and sale blotter was accessible through the firm's public website by using the website map or by manually entering a specific address into a browser. The blotter contained links that led to a series of menus containing client names that, if selected, caused customer account numbers to appear, including, in limited instances, account numbers comprised of customers' social security numbers. During at least seven days, an Internet search engine accessed the firm's purchase and sale blotter by 'crawling' through the firm's public website. Thus, the firm's public website exposed ' nonpublic personal information—including names, account numbers, and social security numbers—of over 700 customers. ([FINRA Case #2015043455201](#))

**R. Seelaus & Co., Inc. ([CRD #14974](#), Summit, New Jersey)**

September 28, 2017 – An AWC was issued in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report information regarding purchase and sale transactions effected in municipal securities to the Real-Time Transaction Reporting System (RTRS) in the manner prescribed by Municipal Securities Rulemaking Board (MSRB) Rule G-14 RTRS Procedures and the RTRS Users Manual. 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 the MSRB rules concerning municipal securities reporting. ([FINRA Case #2015047779501](#))

**Alexander Capital, L.P. ([CRD #40077](#), New York, New York)**

September 29, 2017 – An AWC was issued in which the firm was censured, fined \$80,000, and required to submit a certification that its policies, systems and procedures (written and otherwise), and training are reasonably designed with respect to the firm’s compliance with FINRA Rule 3310 and the requirements of the Bank Secrecy Act and the regulations promulgated thereunder—including, but not limited to, those related to monitoring for and identifying, investigating, and responding to red flags of suspicious transactions in general and specifically with respect to microcap securities, and compliance with Section 5 of the Securities Act and the applicable rules and regulations with respect to the distribution of unregistered securities. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to develop and implement an AML program that was reasonably designed to achieve and monitor its compliance with requirements of the Bank Secrecy Act and the implementing regulations thereunder. The findings stated that the firm failed to establish and implement policies and procedures that could be reasonably expected to detect and cause the reporting of potentially suspicious activity relating to transactions involving the liquidation of hundreds of millions of shares of microcap stocks. The firm’s AML procedures were not sufficiently tailored to a microcap stock liquidation business and the associated regulatory risks, including the use of such securities by issuers, stock promoters and others affiliated with the issuers for money laundering or to commit securities fraud or market manipulation. Although the firm monitored for potentially suspicious trading activity by conducting manual review of daily trade blotters. This manual review was not reasonably designed to detect patterns of potentially suspicious activity that might occur over the course of days, weeks or months. In addition, the firm’s system for detecting and investigating red flags relating to the microcap stock activities of its customers was unreasonable. The firm failed to detect any of the customers’ activities as potentially suspicious, notwithstanding the existence of red flags such as the liquidation of hundreds of millions of shares of microcap stocks, regulatory inquiries concerning the trading in certain microcap securities, SEC suspension of trading orders in the microcap stocks being traded and promotional activity. The findings also stated that the firm failed to establish a supervisory system, including WSPs, that was reasonably designed to achieve compliance with Section 5. The firm’s WSPs failed to set forth guidance as to the diligence or investigation required to be performed before executing sales of microcap securities to verify the securities were registered or subject to a transactional exemption. In practice, the firm failed to conduct any inquiry into whether the microcap securities being liquidated were freely tradeable. ([FINRA Case #2014039351101](#))

**Growth Capital Services, Inc. ([CRD #124658](#), San Francisco, California)**

September 29, 2017 – An AWC was issued in which the firm was censured and fined \$35,000. 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 adequate supervisory system to fulfill its supervisory responsibilities with respect to the private securities transactions of five registered representatives. The findings stated that the

firm was aware of, but did not review, investor transactions in funds formed through the approved outside business activities of the five registered representatives, and it did not record the transactions on its books and records. Subsequently, the firm again failed to establish and implement an adequate supervisory system with respect to the private securities transactions of two registered representatives. Although red flags indicated that a registered representative was engaging in private securities transactions through an approved outside business activity, the firm failed to investigate, review, approve, document or supervise the private securities transactions. Although the firm was aware that a registered representative had completed two private securities transactions, the firm did not timely review those private securities transactions, or impose restrictions on the activities of the representative pending its review. The findings also stated that the firm did not conduct annual office inspections of its main office of supervisory jurisdiction. Additionally, the firm did not establish a reasonable inspection cycle for non-branch locations in its WSPs and failed to inspect four non-branch locations, even though the registered representatives had been associated with the firm for over three years. The findings also included that the firm failed to maintain documentation of principal approval and review for business websites maintained by the firm's registered representatives. In addition, the firm failed to establish a policy or system for approval, supervision, or retention of registered representatives' business social media accounts, and did not review, approve, supervise, or retain any of the social media accounts maintained by registered representatives for securities-related business purposes. Content posted by the firm's registered representatives was oversimplified, incomplete and lacked the disclosures necessary to provide a sound basis for evaluating the facts communicated, including disclosure of FINRA member affiliation, relationships between FINRA members and named non-members, and identification of products and services offered by the member. FINRA found that the designated principal did not conduct adequate testing of supervisory control policies and procedures. Specifically, reports reflected areas tested, but did not reflect the results of the tests. Furthermore, the designated principal did not test the firm's supervision of outside business activities and private securities transactions or supervision of websites and social media accounts. ([FINRA Case #2013034981501](#))

## Individuals Barred

### **Bruce Page Barber (CRD #3095959, Colorado Springs, Colorado)**

September 5, 2017 – An AWC was issued in which Barber was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Barber consented to the sanction and to the entry of findings that he refused to provide FINRA with requested documents and information in connection with its investigation concerning his outside business activity and solicitation of member firm customers to invest in a private securities offering. ([FINRA Case #2017053346301](#))

**Richard Grant Cody ([CRD #2794558](#), Neptune, New Jersey)**

September 5, 2017 – An OHO decision became final in which Cody was barred from association with any FINRA member in all capacities. The sanction was based on findings that Cody provided false and misleading information to FINRA, failed to provide documents and information to FINRA, and failed to appear and provide testimony in connection with FINRA’s investigation. The findings stated that FINRA was attempting to determine if Cody had violated the terms of his FINRA suspension by acting in a manner requiring registration while suspended. ([FINRA Case #2016048538901](#))

**William August Glaser ([CRD #1274847](#), St. Albans, Missouri)**

September 5, 2017 – An AWC was issued in which Glaser was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Glaser consented to the sanction and to the entry of findings that he refused to respond to FINRA requests for information and documents in connection with an investigation into the circumstances surrounding the termination of Glaser’s registration by his member firm. The findings stated that the firm terminated Glaser’s registration, reporting that it had received an arbitration claim alleging that he had solicited a private investment away from the firm. ([FINRA Case #2017054809301](#))

**Jian Heng Wu ([CRD #6422242](#), Brooklyn, New York)**

September 7, 2017 – An AWC was issued in which Wu was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Wu consented to the sanction and to the entry of findings that he failed to produce FINRA-requested documents and information during the course of an investigation into the circumstances surrounding his termination from his member firm. ([FINRA Case #2016050091703](#))

**Ka Keung Lam ([CRD #3074213](#), Staten Island, New York)**

September 8, 2017 – An AWC was issued in which Lam was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Lam consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony during the course of an investigation into the circumstances surrounding his termination from his member firm. ([FINRA Case #2016050091701](#))

**Lorenzo C. Esteva ([CRD #2170595](#), Miami, Florida)**

September 11, 2017 – An AWC was issued in which Esteva was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Esteva consented to the sanction and to the entry of findings that he failed to produce FINRA-requested documents and information as part of an investigation into customer complaints that he provided falsified account statements to a customer from 2001 to 2017, and that he improperly journaled funds between accounts of two unrelated customers. ([FINRA Case #2017054827701](#))

**Tim Leissner ([CRD #3146057](#), Beverly Hills, California)**

September 11, 2017 – An AWC was issued in which Leissner was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Leissner consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of an investigation concerning certain representations he made in a reference letter he provided to a financial institution that were allegedly both inaccurate and unauthorized by his member firm. ([FINRA Case #2016049149601](#))

**Anthony Vultaggio Jr. ([CRD #5292477](#), Smithtown, New York)**

September 11, 2017 – An AWC was issued in which Vultaggio was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Vultaggio consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony during the course of an examination into his potential undisclosed offering of securities through an undisclosed outside business without prior notice to or consent from his member firm. ([FINRA Case #2017054945301](#))

**Yilih Choong ([CRD #6297107](#), Bayside, New York)**

September 12, 2017 – An AWC was issued in which Choong was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Choong consented to the sanction and to the entry of findings that she failed to produce FINRA-requested documents and information as part of an investigation into the circumstances surrounding her termination from her member firm. ([FINRA Case #2016050091702](#))

**Tamara Antoinette Holloway ([CRD #6532903](#), Greensboro, North Carolina)**

September 12, 2017 – An AWC was issued in which Holloway was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Holloway consented to the sanction and to the entry of findings that she refused to provide FINRA-requested information and documents in connection with its investigation into allegations made by her member firm on a Form U5 stating that she was terminated from the firm after “allegations by the parent property and casualty insurance company for failure to follow procedures regarding acceptance and remittance of automobile and homeowners insurance premiums.” ([FINRA Case #2016052630701](#))

**Michael J. O’Connor ([CRD #5791343](#), Moreland Hills, Ohio)**

September 12, 2017 – An AWC was issued in which O’Connor was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, O’Connor consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony related to a Form U5 filed by his member firm disclosing that his employment was terminated based on concerns related to the timing of his disclosure of his status of power of attorney and financial arrangement with a client, who ultimately became his wife. ([FINRA Case #2017053138701](#))

**William Francis Garbarino ([CRD #730278](#), Newtown, Connecticut)**

September 13, 2017 – An AWC was issued in which Garbarino was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Garbarino consented to the sanction and to the entry of findings that he falsely testified during a FINRA arbitration proceeding that office staff at his member firm did not photocopy and reuse customer signatures to create change of broker forms, and each of the customer signatures contained in a sample of those forms were authentic and non-identical. The findings stated that the arbitration involved issues relating to the authenticity of customer change of broker forms submitted by Garbarino's office staff to several annuity companies. During Garbarino's testimony at the arbitration, he was shown a group of the submitted change of broker forms and asked whether certain customer signatures on the forms were photocopied and used to create new forms. Garbarino testified that the customers' signatures were authentic and not photocopies of the originals. Garbarino knew at the time of his testimony that his son, who worked in his office, obtained from certain customers executed, but partially blank, signature pages for such forms, photocopied those pages and used the copies to create falsified new forms containing identical, non-authentic signatures. These falsified forms were then submitted to several annuity companies as originals. ([FINRA Case #2014043695702](#))

**Marc Mitchell Ravenscroft ([CRD #2767673](#), Charlotte, North Carolina)**

September 19, 2017 – An AWC was issued in which Ravenscroft was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Ravenscroft consented to the sanction and to the entry of findings that he converted at least \$16,299 from his member firm as reimbursements for business-related credit card charges that were refunded to his credit card by a vendor. The findings stated that Ravenscroft charged travel-related expenses to his firm's corporate credit card, which he later canceled, causing the associated charges to be partially or wholly refunded to his firm credit card by the vendor. Ravenscroft requested and obtained reimbursement from the firm for the charges, but he did not advise the firm that the charges had been credited back to his corporate credit card. Ravenscroft used the reimbursed monies from the firm to pay for personal expenses. Ravenscroft committed these acts without the firm's knowledge or approval. The findings also stated that by submitting inaccurate expense reports to the firm, Ravenscroft caused the firm to create and maintain inaccurate books and records. ([FINRA Case #2016049759001](#))

**Gregory Stewart Brent ([CRD #1858718](#), Beltsville, Maryland)**

September 20, 2017 – An AWC was issued in which Brent was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Brent 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 his termination from his member firm. ([FINRA Case #2017052877701](#))



**Dale Earl Krueger ([CRD #1100066](#), Freeland, Michigan)**

September 22, 2017 – An AWC was issued in which Krueger was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Krueger consented to the sanction and to the entry of findings that he accepted customer funds to purchase collectible medals, but failed to properly segregate and account for the medals from his own holdings and used a portion of the funds to make unauthorized loan and commission payments to third parties. The findings stated that the customers' investment in the medals was made through a business entity controlled by Krueger and \$25,000 was deposited into a bank account owned or controlled by Krueger. Krueger failed to provide the customers with any documentation of the sale, physically separate the medals that had been purchased from his own holdings, and adequately document the customers' holdings in his own records. Krueger transferred to the former registered representative who solicited the customers to invest in the collectible medals sold by Krueger, and that his representative's relatives, at least \$5,800 of the customers' funds as purported loans or commissions, without confirming directly with the customers that they had authorized any such loans or commissions. The findings also stated that Krueger failed to provide FINRA with requested documents. ([FINRA Case #2015048137601](#))

**Barbara Jean Waters ([CRD #2162078](#), Woodbridge, New Jersey)**

September 25, 2017 – An AWC was issued in which Waters was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Waters consented to the sanction and to the entry of findings that she refused to appear for FINRA on-the-record testimony pertaining to her Form U5, disclosing that her employment had been terminated because of, among other reasons, concerns regarding a submitted expense report. ([FINRA Case #2015047719501](#))

**Peyton Nelson Jackson ([CRD #1988387](#), Alexandria, Virginia)**

September 27, 2017 – An OHO decision became final in which Jackson was barred from association with any FINRA member in all capacities. The sanction was based on findings that Jackson failed to comply with multiple FINRA requests for information pertaining to an investigation into the validity of allegations by several of Jackson's former customers who filed statements of claim against him and his former member firms alleging, among other things, that he recommended unsuitable securities and engaged in fraud. ([FINRA Case #2016049252901](#))

**Dennis Boyd McMurray ([CRD #2557396](#), Rancho Santa Margarita, California)**

September 27, 2017 – An AWC was issued in which McMurray was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, McMurray consented to the sanction and to the entry of findings that he failed to provide FINRA-requested documents and information related to an investigation into the circumstances surrounding his termination from his member firm. The findings stated that McMurray's firm submitted a Form U5 disclosing an internal review of him relating to "private securities transactions/selling away." ([FINRA Case #2016051351801](#))

## Individuals Suspended

### **Robert Hayes Hoffmann ([CRD #4008798](#), Greenwood, Indiana)**

September 1, 2017 – An AWC was issued in which Hoffmann was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Hoffmann consented to the sanctions and to the entry of findings that he willfully failed to amend his Form U4 to timely disclose an unsatisfied Internal Revenue Service tax lien filed against him.

The suspension is in effect from September 5, 2017, through December 4, 2017. ([FINRA Case #2015045024901](#))

### **Jeffrey Alan Smith ([CRD #2400590](#), Irvine, California)**

September 5, 2017 – An AWC was issued in which Smith was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Smith consented to the sanctions and to the entry of findings that he maintained and used pre-signed and altered forms which caused his member firm to have inaccurate books and records. The findings stated that Smith had customers sign blank forms and made additional photocopies of some of the blank-signed forms so that he could reuse the customers' signatures. Smith utilized these blank-signed forms to effect transactions authorized by the clients. In addition, Smith, with a client's authorization, submitted an altered, pre-signed form upon which correction fluid had been used to white-out and correct an inaccurate bank account number.

The suspension is in effect from September 5, 2017, through December 4, 2017. ([FINRA Case #2012033566202](#))

### **William Fitzgerald White ([CRD #2168943](#), San Diego, California)**

September 5, 2017 – An Offer of Settlement was issued in which White was fined \$12,500 and suspended from association with any FINRA member in all capacities for 16 months. Without admitting or denying the allegations, White 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 disclose a bankruptcy petition, tax liens, FINRA arbitrations and a civil litigation. The findings stated that White failed to timely respond to FINRA requests for documents and information during the course of an investigation into whether he disclosed certain reportable events on his Form U4. The findings also stated that White opened and traded in an outside securities account without giving prior written notice to his member firm and the executing firm.

The suspension is in effect from October 2, 2017, through February 1, 2019. ([FINRA Case #2015048104602](#))

**Joseph Ira Yanofsky ([CRD #870054](#), Franktown, Colorado)**

September 5, 2017 – An AWC was issued in which Yanofsky was fined \$10,000 and suspended from association with any FINRA member in all capacities for 20 business days. Without admitting or denying the findings, Yanofsky consented to the sanctions and to the entry of findings that he exercised discretion in customer accounts without written authorization to do so. The findings stated that Yanofsky's exercise of discretion occurred in connection with certain of his member firm's syndicate equity offerings. Yanofsky's customers verbally expressed their general desire and authorization to participate in every syndicate offering the firm made available. These customers did not have discretionary accounts, and their verbal authorization to participate in every syndicate offering was never reduced to writing. On certain occasions, however, Yanofsky purchased the syndicate offering shares for these customers without having received the customers' specific authorization to participate in those offerings. The findings also stated that Yanofsky directed a subordinate employee to use another registered representative's login credentials and computer to enter syndicate offering orders as soon as ticketing opened. In doing so, Yanofsky was attempting to maximize the number of his customers' orders that could be filled prior to the firm's allocation of offering shares being depleted. By doing so, Yanofsky caused the firm's trading records to be inaccurate and falsely reflect the true identity of the person who had entered or accepted those orders on behalf of customers.

The suspension was in effect from October 2, 2017, through October 27, 2017. ([FINRA Case #2015045664601](#))

**Walter John Dubiel ([CRD #4234689](#), Farmington, Connecticut)**

September 6, 2017 – An AWC was issued in which Dubiel was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for 45 business days. Without admitting or denying the findings, Dubiel consented to the sanctions and to the entry of findings that he improperly shared his login and password information with an unauthorized individual. The findings stated that Dubiel's action provided the unauthorized individual, who was associated with a different FINRA member firm, access to non-public personal customer information from Dubiel's member firm. Dubiel thereby caused his firm to violate Regulation S-P. The findings also stated that during a branch audit, Dubiel made a false statement to a firm branch examiner concerning his sharing of his firm's login and password information.

The suspension is in effect from September 18, 2017, through November 17, 2017. ([FINRA Case #2015048038401](#))

**Nancy L. Johnson ([CRD #1743981](#), Denver, Colorado)**

September 7, 2017 – An AWC was issued in which Johnson was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for five months. Without admitting or denying the findings, Johnson consented to the sanctions

and to the entry of findings that she made false written statements to her member firm on its forms and in its electronic distribution system in connection with the processing of a wire transfer request. The findings stated that Johnson received an email purportedly from a customer requesting the transfer of \$86,000 from the customer's account. Unbeknownst to Johnson, the email was sent by an imposter who had improperly accessed the customer's email account. Johnson submitted a wire request, which was revised by the imposter due to incorrect beneficiary bank routing information submitted in the original wire request, into the firm's electronic disbursement system, falsely representing on a firm form and in the system that another firm employee had verbally confirmed the request with the customer. The funds were received by the bank but they were returned by that bank due to an invalid beneficiary account number. The imposter then provided Johnson with a different beneficiary, before again changing the beneficiary to an individual, who maintained an account at a different bank. Johnson resubmitted the request, as further revised, into the system, falsely representing on a firm form and in the system that she had verbally confirmed the request with the customer. As a result of Johnson falsely indicating that she and another employee had each spoken with the customer and confirmed the wire transfer request when, in fact, they had not done so, she caused the firm to make and preserve inaccurate books and records. The findings also stated that Johnson willfully failed to timely disclose the filing of a bankruptcy petition on her Form U4 and misrepresented that she had no reportable bankruptcies in a Form U4 filed during this period.

The suspension is in effect September 18, 2017, through February 17, 2018. ([FINRA Case #2016049035301](#))

**Mark Sherman Perry (CRD #1219294, Mt. Pleasant, South Carolina)**

September 7, 2017 – An AWC was issued in which Perry was suspended from association with any FINRA member in all capacities for 18 months. In light of Perry's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Perry consented to the sanction and to the entry of findings that he made unsuitable investment recommendations to four elderly, retired customers. The findings stated that Perry over-concentrated the customers' accounts in precious metal sector securities. Perry also recommended that the customers purchase and hold leveraged mutual funds and/or ETFs in their accounts for extended time periods of up to 963 days. Perry had no reasonable basis to believe that his recommendation that the customers hold leveraged mutual funds and/or ETFs in their accounts for extended time periods was suitable for any customer. Perry's unsuitable investment recommendations resulted in collective realized and unrealized losses of approximately \$200,000 in the four customers' accounts. The findings also stated that Perry falsified the account records of the elderly customers by misstating each customer's risk tolerance in order to recommend that the customer purchase high-risk securities. The findings also included that Perry sent several emails to a customer wherein he made misleading and promissory statements about the investments in the customer's account. Perry had no basis for making these statements and admitted that the statements

were designed to ease the customer's anxiety about the investments in his account. FINRA found that Perry failed to disclose two customer complaints regarding trading losses to his member firms. Perry caused his member firm to maintain inaccurate books and records by misstating several customers' risk tolerance on new account forms, making misleading and promissory statements in written communications with a customer and failing to report the two customer complaints to his firms.

The suspension is in effect from September 18, 2017, through March 17, 2019. ([FINRA Case #2015044939901](#))

**Benjamin S. Burton ([CRD #4207173](#), Scott Depot, West Virginia)**

September 8, 2017 – An AWC was issued in which Burton was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Burton consented to the sanctions and to the entry of findings that he exercised discretion without his member firm's approval in a customer's securities account. The findings stated that although the customer had given Burton verbal authorization to exercise discretion in her account, Burton failed to obtain written authorization from the customer and never obtained his firm's approval of the account as a discretionary account. The findings also stated that Burton made false statements on firm compliance questionnaires concerning his use of discretion.

The suspension is in effect from September 18, 2017, through December 17, 2017. ([FINRA Case #2016052219202](#))

**Christopher Shawn Easter ([CRD #6207142](#), Lakewood, Washington)**

September 8, 2017 – An AWC was issued in which Easter was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Easter consented to the sanctions and to the entry of findings that he fabricated an account document required to maintain a customer's corporate business bank account, signed the customer's name to the document without the customer's consent and submitted the document to the bank in order to prevent the bank from closing the account.

The suspension is in effect from September 18, 2017, through December 17, 2017. ([FINRA Case #2017053444901](#))

**Drew Mansfield Johnson ([CRD #2449525](#), Andover, Minnesota)**

September 8, 2017 – An AWC was issued in which Johnson was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Johnson consented to the sanctions and to the entry of findings that he participated in private securities transactions involving customers without providing prior or subsequent written notice to his member firm. The findings stated that Johnson was introduced to an individual who was seeking to raise

funds on behalf of a small, privately held company. At this individual's request, Johnson thereafter facilitated transactions by which the customers separately agreed to lend the privately held company a total of \$125,000 in exchange for promises that they would be repaid with interest and would receive warrants to purchase shares of the company's stock at a specified price within the ensuing five years. Among other things, Johnson arranged and attended meetings in which the investment opportunity was discussed with the customers, asked questions on behalf of his customers about the privately held company and the details concerning their loans and warrants, and facilitated the paperwork necessary to complete the transactions. At least two of Johnson's customers who lent money to the privately held company were not repaid part or all of their principal, and none exercised their warrants.

The suspension is in effect from September 18, 2017, through March 17, 2018. ([FINRA Case #2015048022101](#))

**Paul William Marks ([CRD #5609430](#), Evans, New York)**

September 8, 2017 – An AWC was issued in which Marks was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Marks consented to the sanctions and to the entry of findings that in connection with a customer's annual deposits to a fixed annuity contract, Marks forged required forms for deposits without the customer's consent or authorization. The findings stated that Marks' member firm learned of the forgeries when the customer called the firm to inquire about the status of a January 2016 transfer. At that time, the customer informed the firm that she had not signed transfer paperwork since June 2015. The firm began an investigation and in three separate interviews, Marks made false statements to the firm by denying forging his customer's signatures. The findings also stated that Marks failed to timely execute the customer's 2015 transaction, which resulted in a two-month delay in the customer's investment.

The suspension is in effect from September 18, 2017, through March 17, 2018. ([FINRA Case #2016050372601](#))

**Darrell Scott Pope ([CRD #4596113](#), Louisville, Kentucky)**

September 8, 2017 – An AWC was issued in which Pope was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Pope consented to the sanctions and to the entry of findings that he engaged in an undisclosed outside business activity outside the scope of his employment with his member firm. The findings stated that Pope attempted to secure a buyer for sellers of Iraqi Dinar currency in anticipation of a finder's fee. Pope had established a company to conduct this activity and used his personal email address to communicate with the sellers and potential buyers about the potential terms of a sale. Pope also conducted due diligence on potential buyers, prepared transaction-related documentation and made arrangements to facilitate a potential currency sale.. However, Pope did not notify the firm about his outside business activity.

The suspension is in effect from September 18, 2017, through January 17, 2018. ([FINRA Case #2015048303401](#))

**Francis Louis Smookler Jr. ([CRD #2712672](#), Upper Brookville, New York)**

September 8, 2017 – An Offer of Settlement was issued in which Smookler was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 30 business days. Without admitting or denying the allegations, Smookler consented to the sanctions and to the entry of findings that he intentionally caused his member firm to maintain inaccurate books and records by causing another individual to be misidentified as the broker of record for orders in customers' accounts at the firm. The findings stated that throughout the time that Smookler was associated with the firm, he was not registered to transact business as a broker-dealer or agent of a broker-dealer in the states where the customers resided. The individual paid Smookler a portion of the commissions that were generated by the trades.

The suspension was in effect from September 18, 2017, through October 27, 2017. ([FINRA Case #2016048490901](#))

**Kinan Nimeh ([CRD #4438900](#), Melville, New York)**

September 11, 2017 – An AWC was issued in which Nimeh was fined \$5,000, suspended from association with any FINRA member in all capacities for two months and ordered to pay \$3,578, plus interest, in restitution to a customer. Without admitting or denying the findings, Nimeh consented to the sanctions and to the entry of findings that he recommended unsuitable transactions in leveraged ETFs (non-traditional ETFs) in customer accounts. The findings stated that these investments were not meant to be held for extended periods. In fact, the prospectuses for the non-traditional ETFs recommended by Nimeh warned that the ETFs were intended to be used as short-term trading vehicles, not long-term investments. Despite the warning in the prospectuses (as well as *FINRA Regulatory Notice 09-31*), Nimeh recommended that the non-traditional positions be held in these customers' accounts for between 62 and 176 days. Nimeh did not have reasonable grounds for believing that these recommendations were suitable.

The suspension is in effect from October 2, 2017, through December 1, 2017. ([FINRA Case #2016050827501](#))

**John Isaac Roach ([CRD #4226769](#), Shaker Heights, Ohio)**

September 13, 2017 – An AWC was issued in which Roach was fined \$5,000 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Roach consented to the sanctions and to the entry of findings that he exercised discretion to purchase mutual funds with a total approximate value of \$62,000 in a customer's account without having obtained prior written authorization from the customer to exercise discretion or prior written acceptance of the account as discretionary from his member firm. The findings stated that although Roach

had discussed making these purchases with the customer sometime prior to the day he executed each transaction, he failed to contact the customer to obtain his authorization to go forward with each transaction on the same days the transactions took place.

The suspension was in effect from October 2, 2017, through October 13, 2017. ([FINRA Case #2014040641902](#))

**Lawrence Alan Stack ([CRD #2550460](#), Suwanee, Georgia)**

September 13, 2017 – An AWC was issued in which Stack was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 30 business days. Without admitting or denying the findings, Stack consented to the sanctions and to the entry of findings that he failed to provide prior written notice to his member firm of outside business activities involving rental properties. The findings stated that Stack and a business partner formed limited liability companies to hold and manage multi-family rental properties. Stack's business partner initiated the formation of the companies, however, Stack signed all the paperwork. Stack's role with the limited liability companies was to locate potential properties for purchase and to contribute money to purchase the properties. Although Stack had previously disclosed to his firm that he had a separate outside business activity through which he purchased and managed other rental properties, he failed to provide the firm with prior written notice of his involvement with the limited liability companies.

The suspension was in effect from September 18, 2017, October 27, 2017. ([FINRA Case #2015047293501](#))

**Mehran Tazhibi ([CRD #5416037](#), Monterey, California)**

September 13, 2017 – An AWC was issued in which Tazhibi was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Tazhibi consented to the sanctions and to the entry of findings that he made an unsuitable recommendation to retail customers, a recently retired married couple, to invest approximately \$135,000 in a non-investment grade, speculative-rated municipal bond intended by the issuer only for sale to institutional buyers. The findings stated that when Tazhibi recommended the bond to them, the customers had an investment profile that included an investment objective of income and growth and a conservative risk tolerance. In addition, although the bond was intended only for sale to approved institutional buyers, the customers were individual retail customers and did not qualify as approved institutional buyers. Tazhibi's recommendation that the customers invest in the bond was inconsistent with their financial situation and objectives and the intended market for the bond. In light of these factors, Tazhibi lacked a reasonable basis to recommend the bond to the customers and failed to deal fairly with them. The bond was later canceled based on a restructuring agreement with the bondholders. Tazhibi's member firm paid restitution to the customers to compensate them for their losses.



The suspension is in effect from September 18, 2017, through November 17, 2017.  
([FINRA Case #2016048911301](#))

**Tiffany Ann De Ruosi (CRD #2256196, Newport Beach, California)**

September 15, 2017 – An AWC was issued in which De Ruosi was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, De Ruosi consented to the sanctions and to the entry of findings that she willfully failed to timely amend her Form U4 to disclose a felony charge in connection with a motor vehicle incident. The findings stated that this felony charge was reduced to a misdemeanor, to which she pled guilty. The findings also stated that De Ruosi provided a false answer on her member firm's annual compliance questionnaire by denying that she had been arrested, charged and arraigned for any criminal offense since her last submission to the firm.

The suspension is in effect from September 18, 2017, through March 17, 2018. ([FINRA Case #2015046161601](#))

**Todd J. Jones (CRD #5913166, Shoreline, Washington)**

September 15, 2017 – An AWC was issued in which Jones was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Jones consented to the sanctions and to the entry of findings that he exercised discretion in client accounts without written permission to do so. The findings stated that Jones caused his member firm to maintain inaccurate books and records by mismarking most of the orders as unsolicited. Jones' firm's policies only permitted the purchase in brokerage accounts of leveraged exchange-traded products on an unsolicited basis.

The suspension is in effect from September 18, 2017, through January 17, 2018.  
([FINRA Case #2015047381301](#))

**Stephen Scott Brown (CRD #1799847, Rochester, New York) and James Peter Goetz Jr. (CRD #2826111, Rochester, New York)**

September 18, 2017 – An OHO decision became final in which Brown was fined \$125,000 and suspended from association with any FINRA member in all capacities for nine months. Goetz was fined \$25,000 and suspended from association with any FINRA member in all capacities for one month. The sanctions were based on findings that Brown failed to disclose, in compliance disclosure and in response to his member firm's inquires, the full scope of his participation in outside businesses, firm customers' involvement with or investment in outside businesses and the expansion of his involvement in investments away from the firm. The findings stated that Brown misrepresented and omitted facts during his firm's internal investigation. The findings also stated that Brown participated in a material expansion of an outside business without amending his original disclosure.

The finding also included that Brown actively engaged in managing an outside business without disclosing it as such and failed to disclose an additional outside business activity. FINRA found that Goetz invested in private securities transactions without providing prior written notice to, and receiving prior written permission from, his firm. The allegations that Brown provided false responses to his firm during an internal investigation relating to one of his private investments and that Brown directed an associate to alter the name of a payee on a check request with the intent to circumvent his firm's U.S. Treasury Office of Foreign Asset Control compliance systems were dismissed.

Brown's suspension is in effect from October 2, 2017, through July 1, 2018. Goetz's suspension was in effect from August 31, 2017, through September 30, 2017. ([FINRA Case #2014042690502](#))

**Kevin Ray Bonner (CRD #1601140, Des Moines, Washington)**

September 19, 2017 – An AWC was issued in which Bonner was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Bonner consented to the sanctions and to the entry of findings that he borrowed \$50,000 from a customer without his member firm's knowledge or approval and in violation of the firm's policies. The findings stated that the \$50,000 loan was intended to be short-term, that no interest rate was set, and that the loan was not documented. Bonner repaid \$10,000 and he and the customer memorialized the outstanding loan in a written promissory note, which provided that the loan bore interest at an annual rate of four percent, and that all unpaid principal and accrued interest was payable in full on March 5, 2014. Thereafter, Bonner repaid more than \$15,000 to the customer. Bonner filed a Chapter 7 petition in bankruptcy and received a bankruptcy discharge. Bonner's loan to the customer then totaling \$28,327 in interest and accrued principal was discharged through the bankruptcy. That amount was never repaid to the customer. The findings also stated that Bonner willfully failed to amend his Form U4 to report that his license to act as an accountant was suspended by the Washington State Board of Accountancy.

The suspension is in effect from October 2, 2017, through April 1, 2018. ([FINRA Case #2016049664001](#))

**Sharon Melinda Kwan (CRD #2578627, Arcadia, California)**

September 19, 2017 – An AWC was issued in which Kwan was fined \$15,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Kwan consented to the sanctions and to the entry of findings that she participated in undisclosed outside business activities involving her member firm's customers without providing prior written notice to the firm. The findings stated that Kwan participated in undisclosed real estate activities with two customers, who were also personal friends, involving residential properties. Kwan also provided inaccurate annual firm compliance attestations regarding her outside business

activities. The findings also stated that notwithstanding the firm's policy prohibition, Kwan opened and maintained two joint bank accounts with a firm customer in furtherance of their real estate activities. Kwan's customer deposited almost \$1.4 million into the accounts. Kwan deposited an almost equal amount into the same two accounts. Kwan did not disclose, and her firm did not approve, her joint bank accounts with the firm customer. Kwan also provided inaccurate annual firm compliance attestations regarding her joint bank accounts with a firm customer.

The suspension is in effect from October 16, 2017, through February 15, 2018. ([FINRA Case #2013038528501](#))

**Brant Andrew Ray (CRD #4746637, Southaven, Mississippi)**

September 19, 2017 – An Offer of Settlement was issued in which Ray was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for 18 months. Without admitting or denying the allegations, Ray consented to the sanctions and to the entry of findings that contrary to his member firm's written procedures, he borrowed \$50,000 from a 70-year-old customer. The findings stated that at the time of the loan, Ray's firm prohibited borrowing from customers with certain exceptions not applicable here, and the loan met none of the exceptions to FINRA Rule 3240. Moreover, Ray failed to provide his firm with prior written notice of the loan. The findings also stated that Ray falsely attested in a firm annual compliance questionnaire that he was in compliance with his firm's prohibition customer loans. The findings also included that Ray provided FINRA with false information and testimony in connection with the investigation of his loan from the customer.

The suspension is in effect from October 2, 2017, through April 1, 2019. ([FINRA Case #2015047096601](#))

**Evan Foehrkolb (CRD #5343517, Essex, Maryland)**

September 20, 2017 – An AWC was issued in which Bonner was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Foehrkolb consented to the sanctions and to the entry of findings that he willfully failed to timely disclose on his Form U4 felony charges that had been filed against him. The findings stated that Foehrkolb falsely answered on his member firm's annual compliance certification that he had not been charged with any felony since his last attestation.

The suspension is in effect from October 16, 2017 through April 15, 2018. ([FINRA Case #2016052430501](#))

**Corinne Renae Mittag (CRD #2754498, Omaha, Nebraska)**

September 20, 2017 – An Offer of Settlement was issued in which Mittag was suspended from association with any FINRA member in all capacities for 30 days. In light of Mittag's

financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, Mittag consented to the sanction and to the entry of findings that she made unauthorized trades in a customer's account by submitting sales of corporate bond positions and the sale of a mutual fund position without discussing such sales with the customer or getting authorization from the customer to make the sales. The findings stated that an imposter posing as a firm customer sent emails to Mittag, requesting that Mittag sell securities to generate cash in the account to fund a wire request to a third-party in the United Kingdom. Mittag did not have written authorization from the customer to exercise discretion in his account and the firm did not permit discretionary accounts and had not accepted the customer's account as discretionary. The findings also stated that despite the firm's policies that prohibited trade requests received through email, traditional mail or voicemail from being accepted, and required wire requests sent to third-parties in foreign jurisdictions to be confirmed by telephone, Mittag never communicated by telephone about the sales with the customer or the imposter, and never obtained authorization from the customer for the sales. The findings also included that Mittag falsely represented to two principals at her member firm that she had spoken with the customer regarding the request to sell securities and to wire transfer the resulting funds to a third party in a foreign jurisdiction. FINRA found that based on Mittag's false representations, the firm supervisors granted exceptions to the firm's policies requiring a customer's identity to be verified and requiring disclosures to be read to the customer over the telephone. By making these false representations, Mittag caused the firm to sign an attestation form that inaccurately stated that the firm had verbally confirmed the wire request with the customer. The attestation form was false and inaccurate, causing the firm to create and preserve false and inaccurate records.

The suspension was in effect from October 16, 2017, through November 14, 2017. ([FINRA Case #2015044594201](#))

**Thomas H. Lawrence III ([CRD #1839619](#), Chapel Hill, Tennessee)**

September 22, 2017 – An Offer of Settlement was issued in which Lawrence was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in all capacities for 24 months, and ordered to pay \$41,332.65, plus interest, in deferred restitution to a customer. Without admitting or denying the allegations, Lawrence consented to the sanctions and to the entry of findings that he and his wife asked a customer and friend, a 96-year-old retiree, for a loan to pay their taxes instead of seeking another source of financing. The findings stated that the customer agreed to provide the loan and at Lawrence's request, wrote a check for \$39,364.43 to the United States Treasury to be used to pay Lawrence's 2012 taxes. Lawrence drafted and signed a promissory note reflecting the customer's loan of \$39,364.43 to him and his wife, plus another loan of \$10,000 that Lawrence's wife previously obtained from the customer. Lawrence's member firm prohibited associated persons from borrowing from customers, except for immediate family members—and then only with the firm's prior written approval.

Lawrence acknowledged to the firm five times before borrowing from the customer that he was not allowed to solicit or accept a loan from a client for any reason and continued to acknowledge the firm's policy against borrowing from customers after he obtained the loan. However, Lawrence did not notify the firm about the loan before obtaining it, the firm never approved his loan, and the customer was not a member of Lawrence's immediate family. Lawrence did not repay any portion of the customer's loan.

The suspension is in effect from October 2, 2017, through October 1, 2019. ([FINRA Case #2016051945101](#))

**Murray Sinclair Jr. (CRD #1365335, Cincinnati, Ohio)**

September 25, 2017 – An AWC was issued in which Sinclair was fined \$35,000, suspended from association with any FINRA member in any principal capacity for six months, and required to requalify by examination as a Municipal Securities Principal (Series 53) prior to acting in that capacity with any FINRA member. Without admitting or denying the findings, Sinclair consented to the sanctions and to the entry of findings that he failed to ensure that his member firm's personnel disclosed all material facts in documents used to sell an offering in which the firm was the sole underwriter and failed to ensure compliance with MSRB rules and the firm's WSPs, which required such disclosures. The findings stated that Sinclair was the owner of his firm, and through June 2016 was the President, Managing Member and chief executive officer (CEO) of the firm. As such, the firm's WSPs made clear that Sinclair had ultimate responsibility to ensure that the firm was at all times complying with MSRB rules and acting in accordance with its WSPs. Among other things, the WSPs delegated to Sinclair the responsibility of ensuring that the firm disclosed to customers all material facts concerning securities transactions, including a complete description of the securities, consistent with MSRB Rule G-17. Sinclair was also the direct supervisor of firm personnel responsible for the due diligence and sales regarding municipal or private offerings sold or underwritten by the firm. Sinclair had ultimate supervisory responsibility for ensuring that all material facts were properly disclosed to the firm's customers in connection with such offerings. The findings also stated that Sinclair delegated responsibility for the review of the private placement memorandum (PPM) to others at the firm but had direct, personal and particular knowledge of his own conflicts of interest, which he should have ensured was disclosed in the PPM

The suspension is in effect from October 16, 2017, through April 15, 2018. ([FINRA Case #2015043591702](#))

**Kenneth Dominic Savino (CRD #1132632, Avon, Connecticut)**

September 26, 2017 – An AWC was issued in which Savino was fined \$5,000 and suspended from association with any FINRA member in all capacities for 15 business days. Without admitting or denying the findings, Savino consented to the sanctions and to the entry of findings that he purchased shares of a security for \$100,000 without providing prior notice

to his member firm. The findings stated that on an annual compliance questionnaire submitted to the firm, Savino inaccurately indicated that he had not participated in any private securities transactions.

The suspension was in effect from October 16, 2017, through November 3, 2017. ([FINRA Case #2015047946801](#))

**Alfredo Caba (CRD #5614508, Leonia, New Jersey)**

September 27, 2017 – An AWC was issued in which Caba was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Caba consented to the sanctions and to the entry of findings that he made false statements to a member firm about the circumstances of his termination from his previous firm. The findings stated that Caba was involuntarily terminated by his previous firm after the firm received numerous customer complaints against him related to his sales of mutual funds. During the process of seeking to become associated with the present firm, Caba completed a pre-registration disclosure and consent form in which he falsely stated that he left his most recent position voluntarily and denied being subject to any sales practice customer complaints that have not been reported on FINRA's CRD system. Caba also told the firm's hiring manager that he voluntarily resigned from his previous firm, which was false.

The suspension is in effect from October 2, 2017, through January 1, 2018. ([FINRA Case #2015047810201](#))

**James Henry Dresselaers (CRD #1106109, Germantown, Maryland)**

September 27, 2017 – An AWC was issued in which Dresselaers was fined \$10,000, suspended from association with any FINRA member in all capacities for 60 days and ordered to disgorge \$18,708, plus interest, of commissions received. Without admitting or denying the findings, Dresselaers consented to the sanctions and to the entry of findings that he recommended that a customer invest in several nontraditional ETFs and stocks issued by companies in the metals and mining sector. The findings stated that these recommendations were unsuitable for the customer, a professional athlete with no investment experience, a moderate risk tolerance, and an investment objective of long-term growth. The customer told Dresselaers that he needed his earnings as an athlete to last the rest of his life. Notwithstanding the customer's investment profile, Dresselaers recommended that the customer invest more than \$2.3 million in nontraditional ETFs, including leveraged, inverse ETFs. Dresselaers then recommended that the customer hold these investments for extended periods of time, some for more than five years. In addition to recommending nontraditional ETFs, Dresselaers recommended that the customer invest approximately \$500,000 in several different equities, including approximately \$375,000 in stocks issued by companies in the metals and mining sector. As a result of these and other recommendations by Dresselaers, approximately 65 percent of the customer's portfolio

was invested in the metals and mining sector. This concentration exposed the customer to the risk of significant losses when the metals and mining market declined. The customer suffered losses of more than \$1.1 million on these investments.

The suspension is in effect from October 16, 2017, through December 14, 2017. ([FINRA Case #2016048675902](#))

**Matthew Russell Nemer ([CRD #2813102](#), Ross, California)**

September 27, 2017 – An Offer of Settlement was issued in which Nemer was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in all capacities for two years. Without admitting or denying the allegations, Nemer consented to the sanctions and to the entry of findings that he published multiple research reports on a company while engaged in employment discussions with that company and failed to disclose his conflict of interest, either to his member firm or in the research reports concerning the company. The findings stated that Nemer authored a research report on the company and failed to disclose in the research report that he had a financial interest in the company's securities, as a result of his acceptance of an employment offer from the company that was inclusive of the company's securities. Nemer did not disclose to his member firm his employment discussions with and acceptance of an employment offer from the company to, in part, preserve his ability to receive his annual bonus from the firm. As planned, Nemer resigned from the firm, after receiving his annual bonus with the intent to join the other company. The company rescinded its employment offer to Nemer during the employment retention period following his resignation from his firm. The findings also stated that Nemer failed to disclose material conflicts of interest in five research reports he authored. As a result of Nemer's failure to disclose those material conflicts of interest, these research reports that were published were misleading. In addition, Nemer failed to disclose his financial interest in a covered company in a research report he authored that was published. As a result of Nemer's failure to disclose his financial interest, that research report was misleading.

The suspension is in effect from October 2, 2017, through October 1, 2019. ([FINRA Case #2016051925301](#))

**Lawrence Michael Koresko ([CRD #1888222](#), Malvern, Pennsylvania)**

September 28, 2017 – An AWC was issued in which Koresko was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Koresko consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to report that he was a defendant in at least 12 civil lawsuits, all arising out of his outside business activities. The findings stated that the lawsuits involved securities, were investment-related, or contained allegations of sales practice violations, as those terms are defined in the Form U4. The findings also stated that Koresko provided inaccurate answers on his

member firm's annual compliance questionnaires by attesting that he had not received a customer complaint relating to securities or insurance in the past 12 months and had no reportable disclosures.

The suspension is in effect from October 2, 2017, through April 1, 2018. ([FINRA Case #2014043493201](#))

**Erick J. Arnett (CRD #5007131, Spring Hill, Florida)**

September 29, 2017 – An Offer of Settlement was issued in which Arnett was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the allegations, Arnett consented to the sanctions and to the entry of findings that he engaged in an outside business activity by operating a marketing consulting firm for compensation without properly disclosing it to his member firm. The findings stated that Arnett provided marketing services to his business partner and fellow firm representative, and others in exchange for compensation through his outside business activity. Arnett received 35 checks totaling more than \$60,000 from the business partner, including 22 checks totaling more than \$27,000 for which the business partner referenced an entity in the memo line of the check that provided separately-managed futures and commodities trading accounts. The person who ran the entity was an associate of Arnett and the business partner and had also previously been registered with their member firm. Investments in the entity were not offered or approved for sale by the firm. Arnett knew that his business partner was referring clients to the entity and his marketing efforts for the business partner resulted in client referrals by the business partner to the entity. The business partner referred approximately 28 people to the entity who collectively invested more than \$2 million, some of whom lost a substantial amount of the money they invested. The findings also stated that Arnett willfully failed to timely amend his Form U4 to disclose a personal bankruptcy.

The suspension is in effect from October 2, 2017, through February 1, 2018. ([FINRA Case #2015044778302](#))

**Charles Anderson Cumber Jr. (CRD #2514669, Albuquerque, New Mexico)**

September 29, 2017 – An AWC was issued in which Cumber was fined \$7,500 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Cumber consented to the sanctions and to the entry of findings that he conducted insurance sales through a limited liability company he formed and did not disclose any of the insurance business, residual commissions, or the existence of the company to his member firm. The findings stated that Cumber falsely attested to the firm that he was not involved in any outside business activities and repeatedly acknowledged his understanding that the receipt of residual commissions should be disclosed to the firm through an outside business activity disclosure. Cumber explicitly agreed that he would not sell insurance products for any entity other than the



firm without prior notice and approval. However, Cumber engaged in equity-indexed annuity sales to individuals, some of whom were firm customers. The sales totaled approximately \$2.63 million, and Cumber earned approximately \$125,000 in commissions from the associated insurance company. Cumber also received approximately \$27,000 in trailing compensation in connection with previous sales of insurance products. These payments were received by Cumber's limited liability company. While associated with the firm, Cumber received approximately \$345,000 in payments from the insurance company for sales of equity-indexed annuities and other insurance products.

The suspension is in effect from October 16, 2017, through February 15, 2018. ([FINRA Case #2016050901101](#))

**Donna L. Johnson (CRD #4285943, Colleyville, Texas)**

September 29, 2017 – An AWC was issued in which Johnson was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for nine months. Without admitting or denying the findings, Johnson consented to the sanctions and to the entry of findings that she accepted four wire transfer requests from a customer via email, which were sent while the customer's email was hacked, without verbal confirmation from the customer in violation of her member firm's WSPs. The findings stated that in each of the four instances, Johnson failed to follow the firm's WSPs that were specifically designed to prevent email hackers from obtaining funds from a customer's accounts. When Johnson submitted each request for processing, she falsely attested in the firm's system that the broker she assisted at the firm had verbally confirmed the request for processing. In fact, the broker that Johnson assisted had not done so, and Johnson had not asked him if he had. Each request required the completion of a form signed by the broker or the customer. In each instance, Johnson improperly recycled the signatures of the broker and the customer from a previously-signed document by cutting and pasting the signatures onto the wire request form. Each of the four wire requests was processed by the clearing firm as a result of Johnson's violation of firm policies. As a result, \$72,970 was wired to international banks, none of which was recovered. Johnson recycled the customer's signature on wire request forms on at least ten other occasions, involving legitimate requests for wire transfers. Johnson did not have the customer's knowledge or consent in any of the instances where she recycled previously-used signatures. The firm, which was unable to recover any of the \$72,970 that had been wired out pursuant to fraudulent email requests, immediately restored this amount to the customer's accounts and terminated Johnson's association with the firm as a result of her violation of the firm's WSPs.

The suspension is in effect from October 2, 2017, through July 1, 2018. ([FINRA Case #2016048636501](#))

**Donald P. Southwick ([CRD #4425538](#), Wixom, Michigan)**

September 29, 2017 – An AWC was issued in which Southwick was suspended from association with any FINRA member in all capacities for six months. In light of Southwick's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Southwick consented to the sanction and to the entry of findings that he failed to perform a reasonable basis suitability analysis prior to recommending investments in two private offerings, a bond offering and a bridge loan, to his customers. The findings stated that Southwick did not have an understanding of the potential risks and rewards associated with the offering, the financial condition of his member firm's parent at the time, or the illiquid nature of the investments. Southwick relied entirely on information provided in a script by senior officers of the parent, and he did not conduct his own analysis of the bond offering or bridge loan. Southwick accepted representations of others at face value without undertaking reasonable, independent steps to verify those representations, and he failed to obtain adequate information regarding the parent's financial condition. While Southwick's customers who invested in the bond offering still hold their investments, interest payments ceased after May 2015. Similarly, when the bridge loan principal and interest payments were due to his customers in 2015, the parent defaulted on repayment. The findings also stated that Southwick recommended unsuitable transactions in the securities accounts of two customers by recommending purchases that resulted in an over-concentration of illiquid private offerings, inconsistent with their investment objectives and risk tolerance. Southwick recommended they each invest a significant portion of their stated liquid net worth in the bond offering and bridge loan notes, both of which were illiquid investments. The recommendation to invest in the illiquid, risky private bond offering was inconsistent with one customer's investment objectives and risk tolerance, and the concentration in this investment did not meet the customer's investment objectives. Southwick recommended the other customer invest more than half of her stated net worth in the bond offering and bridge loan. The bond offering and bridge loan carried a significant amount of risk, as evidenced by the high rate of interest and lack of liquidity, and the concentration in this investment did not meet the customer's investment objectives.

The suspension is in effect from October 16, 2017, through April 15, 2018. ([FINRA Case #2016049789601](#))

**Patrick Francis Sportelli ([CRD #5427450](#), Buffalo, New York)**

September 29, 2017 – An AWC was issued in which Sportelli was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 60 days. Without admitting or denying the findings, Sportelli consented to the sanctions and to the entry of findings that he engaged in undisclosed outside business activities as a real estate agent after his member firm expressly prohibited his participation in such activities. The findings stated that Sportelli received approximately \$20,000 in compensation in 2015 and 2016. Sportelli failed to notify the firm that he was continuing to work as a real estate

agent after it denied his request and instructed him to cease any such activities. In fact, when confronted by the firm, Sportelli initially denied that he continued to maintain a real estate license. Sportelli also falsely represented on a firm annual certification that he had not engaged in any outside business activities.

The suspension is in effect from October 2, 2017, through November 30, 2017. ([FINRA Case #2017053425501](#))

## 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.**

### **James Stewart Meagher ([CRD #2328325](#), New York, New York)**

September 1, 2017 – Meagher was named a respondent in a FINRA complaint alleging that he was involved in two separate fraudulent schemes, in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and FINRA Rules 2010 and 2020. The complaint alleges that Meagher engaged in a manipulative trading activity known as marking the close. Meagher marked the close by placing orders to purchase OTC securities for his member firm's proprietary accounts shortly before market close on the final trading day of each month. Meagher's orders were placed at prices that exceeded the inside offer at the time, and his executions resulted in higher closing prices for the securities. The higher closing prices were used by the firm to value the securities in the firm's proprietary account, in which Meagher was responsible for trading, thus having a positive impact on his compensation. The complaint also alleges that after Meagher left his firm, he employed a second fraudulent scheme which was designed to defraud an individual. The individual wired \$25,080 to Meagher for the purpose of purchasing shares of a stock at \$38 per share. Instead, Meagher purchased a lesser amount of shares for the individual, misappropriating \$3,080 of the individual's money for his personal use. Approximately one week later, without any disclosure to the individual, Meagher sold all of the individual's shares at \$30 per share and used the proceeds for his personal use, including paying for trips, a car rental and gambling. In furtherance of his scheme and in response to a request by the individual that Meagher sell the shares, Meagher, who became registered with a FINRA member on November 14, 2012, subsequently represented falsely to the individual that he had sold the shares on November 14, 2012 at \$21 per share (totaling \$13,860) and that he would wire the proceeds to the individual. In doing so, Meagher failed to disclose that he had sold the shares months earlier for \$30 per share and that the proceeds of the sale owed to the individual, net of the individual's share of the commissions charged, were \$17,155.

In addition, Meagher only wired a total of \$7,000 to the individual. The complaint further alleges that in connection with FINRA's investigation of this matter, Meagher provided false and misleading testimony by repeatedly asserting that the money he received from the individual was for a personal loan and that he had fully repaid the individual. ([FINRA Case #2011030509802](#))

**Silver Leaf Partners, LLC ([CRD #126694](#), New York, New York)**

September 20, 2017 – The firm was named a respondent in a FINRA complaint alleging that it shared transaction-based compensation with an unregistered individual to find entities to participate in its stock loan and block trade business. The complaint alleges that the firm paid transaction-based compensation to unregistered entities owned by its registered representatives, including even after being told by the SEC that such practice was prohibited. The complaint also alleges that the firm failed to adequately supervise its business and failed to establish, maintain and enforce adequate written procedures. The firm had no written procedures in its WSPs or elsewhere, nor did it implement appropriate supervisory procedures, prohibiting or otherwise addressing the payment of transaction-based compensation to finders or to unregistered entities owned by its registered representatives. The failure to have reasonable supervisory procedures resulted in improper payments to an unregistered individual and to unregistered entities affiliated with its brokers. Additionally, the firm failed to take reasonable steps to prevent one of its registered representatives from sharing transaction-based compensation with the unregistered individual in the face of red flags such as multiple emails from the representative to the firm's management reflecting his sharing of transaction-based compensation with the unregistered individual and the unregistered individual acting as an agent on behalf of the firm. The firm also failed to follow up on the red flag of the SEC's warning that payments to unregistered entities affiliated with its brokers were improper. The firm supervisory system, including its WSPs, also completely failed to address its stock loan and block trade introduction business and failed to follow up on red flags raised by that business. ([FINRA Case #2014042606902](#))

**Hector Hugo Gutierrez Jr. ([CRD #6595317](#), Brownsville, Texas)**

September 21, 2017 – Gutierrez was named a respondent in a FINRA complaint alleging that he failed to appear and provide FINRA on-the-record testimony relating to the reasons for his termination from his member firm. The complaint alleges that his firm reported in a Form U5, in pertinent part, that Gutierrez had been terminated from the firm for accessing and updating the accounts of his own family members rather than having another team member handle those transactions and that he entered his manager's initials on a review form indicating that his manager reviewed the form at the firm's bank affiliate. ([FINRA Case #2016049745502](#))

**Bradley Carl Reifler ([CRD #1589414](#), Millbrook, New York)**

September 26, 2017 – Reifler was named a respondent in a FINRA complaint alleging that he failed to comply with his obligation to provide full and complete testimony by refusing to answer questions asked by FINRA during on-the-record testimony pertaining to an investigation into a closed-end mutual fund that Reifler created while associated with his member firm. ([FINRA Case #2016050924601](#))

**Farid Morim ([CRD #5023477](#), Los Angeles, California)**

September 29, 2017 – Morim was named a respondent in a FINRA complaint alleging that he failed to timely respond to FINRA requests for information and documents in connection with its investigation into his potential conversion of customer assets and undisclosed outside business activities. The complaint alleges that in furtherance of the investigation, FINRA requested that Morim provide additional documents and information and he failed to comply with these requests. ([FINRA Case #2015047528202](#))

**Sandlapper Securities, LLC ([CRD #137906](#), Greenville, South Carolina), Jack Charles Bixler ([CRD #22331](#), Greenville, South Carolina) and Trevor Lee Gordon ([CRD #2195122](#), Greenville, South Carolina)**

September 29, 2017 – The firm, Bixler and Gordon were named respondents in a FINRA complaint alleging that they participated in a fraudulent scheme and defrauded investors by selling investments in saltwater disposal wells at excessive, undisclosed markups through a middleman “development” company owned and controlled by the firm Bixler, a firm principal and Gordon, the firm’s CEO. The complaint alleges that the fraudulent markups totaled over \$8 million. Investors were not informed, in the PPM or otherwise, that the fund would pay or had paid excessive markups for its purchases of interests in saltwater disposal wells from the development company. As a result, the firm, Bixler and Gordon willfully violated Section 10(b) of the Exchange Act and Rule 10b-5(a) - (c) thereunder, and FINRA Rules 2010 and 2020. The complaint also alleges that as managers of the fund, Bixler and Gordon owed fiduciary duties to the fund. Bixler and Gordon violated their fiduciary duties by causing the development company to usurp the fund’s investment opportunities and resell those investments to the fund at excessive prices, and by failing to take steps to ensure fair pricing to the fund, Bixler and Gordon used the development company to extract ill-gotten profits from retail investors who purchased interests in individual saltwater disposal wells outside the fund. The development company purchased these interests and resold them to retail investors, sometimes through the firm, at undisclosed, excessive markups. The complaint further alleges that the development company was largely engaged in buying and reselling well interests, which were securities. Although this rendered it a dealer of securities, Bixler and Gordon failed to register the development company with FINRA or the SEC. By virtue of their ownership and control of the development company, Bixler and Gordon had the ability to cause the development company to register as a dealer but failed to do so. As a result, Bixler and Gordon willfully

violated Section 15(a) of the Exchange Act and FINRA Rule 2010. In addition, the complaint alleges that despite deriving a substantial portion of its revenue from private offerings by affiliates, the firm failed to adopt or implement reasonable procedures to address conflicts of interest in transactions involving affiliates. In overseeing all the firm's sales activities, including sales of fund interests and interests in individual saltwater disposal wells, Gordon labored under numerous and obvious conflicts of interest. Nonetheless, the firm failed to adopt or implement an alternate supervisory structure for offerings where Gordon was conflicted. Moreover, because Gordon and the firm were aware of the frauds being perpetrated in connection with sales of fund and well interests, and permitted registered representatives of the firm to sell the interests, Gordon and the firm failed to reasonably supervise the firm's sales activities. Gordon and the firm did not even acknowledge that individual well interests were securities and allowed them to be sold away from the firm for compensation without any supervision, other than requiring registered representatives to submit "outside business activity" disclosures. Gordon and the firm knowingly permitted, and expressly or tacitly approved, the firm's registered representatives to sell interests in direct working interests marketed as "real estate" to retail investors, and to receive selling compensation for those transactions. In addition to allowing representatives to engage in private securities transactions in violation of the firm's WSPs, Gordon and the firm failed to record the sales on the firm's books and records, failed to supervise the sales as if the transactions were executed on behalf of the firm and failed to otherwise reasonably supervise the transactions. ([FINRA Case #2014041860801](#))

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

LPE Securities, LLC (CRD #117851)  
Tampa, Florida  
(September 13, 2017)

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**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.)

CDK Financial Services, LLC (CRD #124333)  
New York, New York  
(September 5, 2017)

CDK Financial Services, LLC (CRD #124333)  
New York, New York  
(September 8, 2017)

Wilbanks Securities, Inc. (CRD #40673)  
Oklahoma City, Oklahoma  
(September 5, 2017)

Wilbanks Securities, Inc. (CRD #40673)  
Oklahoma City, Oklahoma  
(September 8, 2017)

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**Firm Suspended for Failure to Pay Outstanding 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.)

Nanes, Delorme Capital Management LLC (CRD #104135)  
New York, New York  
(September 1, 2017)

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**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.)

Christina Albert (CRD #6589844)  
Perrysburg, Ohio  
(September 25, 2017)  
FINRA Case #2017053564401

Chad Michael Anderson (CRD #4989688)  
Steward, Illinois  
(September 11, 2017)  
FINRA Case #2017053741301

Woodley Hannon Bagwell (CRD #10084)  
Montgomery, Alabama  
(September 18, 2017)  
FINRA Case #2016050299901

Damani A. Barham (CRD #6270752)  
Los Angeles, California  
(July 17, 2017 - September 6, 2017)  
FINRA Case #2017053148501

Thomas Joseph Borruso (CRD #5475175)  
Astoria, New York  
(September 5, 2017)  
FINRA Case #2017053360501

Sonya Michelle Brown (CRD #3008083)  
Sealy, Texas  
(September 26, 2017)  
FINRA Case #2016048686401

Theophilus K. Denanyoh (CRD #6006465)  
New Albany, Ohio  
(September 25, 2017)  
FINRA Case #2017053569001

Daniel Paul Doogs (CRD #1270354)  
Lawrenceburg, Indiana  
(September 15, 2017)  
FINRA Case #2017053751801

**Daniel A. Dupont (CRD #5919589)**  
New Bedford, Massachusetts  
(September 25, 2017)  
FINRA Case #2017053771001

**Mariam Gabashvili (CRD #6545858)**  
Los Angeles, California  
(September 18, 2017)  
FINRA Case #2017054027701

**Albert Sidney Gersh (CRD #2505980)**  
Woodland Hills, California  
(September 25, 2017)  
FINRA Case #2017053705301

**Robert Norman Greco (CRD #228304)**  
Spokane, Washington  
(September 29, 2017)  
FINRA Case #2016051995801

**Bettye Clements Hays (CRD #1307813)**  
Foley, Alabama  
(September 11, 2017)  
FINRA Case #2017053749201

**John Kaleihiehie Kai (CRD #2163244)**  
Hilo, Hawaii  
(September 12, 2017)  
FINRA Case #2017053680001

**David Russell Kondracke (CRD #849161)**  
Naples, Florida  
(September 11, 2017)  
FINRA Case #2016051547401

**Danielle Lamb (CRD #6560373)**  
Holyoke, Colorado  
(September 5, 2017)  
FINRA Case #2016052561101

**Chea Anetta Ledbetter (CRD #6492823)**  
Hot Springs, Arkansas  
(September 25, 2017)  
FINRA Case #2017053986201

**Jacob Richard Luithle (CRD #6317475)**  
Rogers, Minnesota  
(September 11, 2017)  
FINRA Case #2017053795201

**Arturo Diego Montenora (CRD #2646366)**  
Staten Island, New York  
(September 26, 2017)  
FINRA Case #2017054326201

**Daniel P. Mullan (CRD #2587700)**  
Syosset, New York  
(September 18, 2017)  
FINRA Case #2016048799901

**Sampson Pearson Jr. (CRD #4159298)**  
Charlotte, North Carolina  
(September 22, 2017)  
FINRA Case #2017054269301

**Douglas A. Rabess (CRD #5676676)**  
Montgomery, New York  
(September 5, 2017)  
FINRA Case #2016050595002

**Frank Blaise Anthony Restifo Jr.  
(CRD #1138179)**  
Euclid, Ohio  
(September 25, 2017)  
FINRA Case #2017053647201

**Matthew Patrick Seemann (CRD #4956209)**  
Carlsbad, California  
(September 11, 2017)  
FINRA Case #2017053018401

**Matthew Carl Shepard (CRD #5626064)**  
Louisville, Alabama  
(September 18, 2017)  
FINRA Case #2016051709201

**Elizabeth Eunyoung Skillman  
(CRD #6091502)**  
Carlsbad, California  
(September 5, 2017)  
FINRA Case #2016050131801



**Maria Nancy Tamburro (CRD #5977689)**  
Highland Falls, New York  
(September 25, 2017 – October 13, 2017)  
FINRA Case #2016051905301

**Bethany Chanel Thompson (CRD #6633354)**  
Mount Sterling, Kentucky  
(July 21, 2017 – September 6, 2017)  
FINRA Case #2017053012401

**Matthew D. Webster (CRD #6120098)**  
Syracuse, New York  
(September 11, 2017)  
FINRA Case #2016051007901

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**Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**  
(If the revocation has been rescinded, the date follows the revocation date.)

**Jeffrey Llyod Scheibner (CRD #2545488)**  
Ladera Ranch, California  
(September 7, 2017)  
FINRA Case #2016051534901

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**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.)

**Donald C. Blackwell (CRD #5682804)**  
Oxford, Mississippi  
(September 18, 2017)  
FINRA Case #2016047564701

**Samiul Anam Chowdhury (CRD #5623664)**  
Fresh Meadows, New York  
(September 25, 2017)  
FINRA Case #2017053704401

**Wayne Earl Cooksey (CRD #845368)**  
Jacksonville Beach, Florida  
(September 1, 2017)  
FINRA Case #2017054598201

**Argenis T. Cortes (CRD #5787395)**  
Valley Stream, New York  
(September 25, 2017)  
FINRA Case #2015047127701

**Vincent Frank D'Accardi (CRD #4548518)**  
Lake Hiawatha, New Jersey  
(September 25, 2017)  
FINRA Case #2017053370201

**Matthew Evan Eckstein (CRD #2997245)**  
Syosset, New York  
(September 11, 2017)  
FINRA Case #2017054146301

**Christopher Anthony Fernan (CRD #5896584)**  
Commack, New York  
(June 23, 2017 – September 20, 2017)  
FINRA Case #2017053314901

**Matthew Douglas Garrett (CRD #6485387)**  
Olive Branch, Mississippi  
(September 22, 2017)  
FINRA Case #2017053473601

**Suhail Saleem Khan (CRD #3168241)**  
Chicago, Illinois  
(September 1, 2017)  
FINRA Case #2017054093201

**Rick Douglas Konecny (CRD #1727785)**  
Chicago, Illinois  
(September 11, 2017)  
FINRA Case #2016049543601

**Spencer David Laufer (CRD #6312867)**  
Brooklyn, New York  
(September 7, 2017)  
FINRA Case #2017054567801

**Kevin Allen Mee (CRD #6262993)**  
 Salinas, California  
 (September 22, 2017)  
 FINRA Case #2017054463901

**Cornelius Peterson (CRD #5769919)**  
 Boston, Massachusetts  
 (September 25, 2017)  
 FINRA Case #2017055058201

**Stanley Calvin Pigue (CRD #5365194)**  
 Franklinton, North Carolina  
 (September 7, 2017)  
 FINRA Case #2017054507501

**James S. Polese (CRD #2636427)**  
 Wenham, Massachusetts  
 (September 25, 2017)  
 FINRA Case #2017055058101

**Jordan Charles Rodden (CRD #1422173)**  
 Bryant, Indiana  
 (September 8, 2017)  
 FINRA Case #2017054221701

**Amus Desmond Stevens (CRD #5957270)**  
 Bronx, New York  
 (September 1, 2017)  
 FINRA Case #2017054505401

**Jamie Yuvonne Strickland (CRD #5294385)**  
 Ormond Beach, Florida  
 (September 22, 2017)  
 FINRA Case #2017054217301

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**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.)

**Joseph Orazio Degregorio (CRD #3219963)**  
 Staten Island, New York  
 (September 8, 2017)  
 FINRA Arbitration Case #17-00571

**Valery Vitalievich Gurin (CRD #4517689)**  
 Kirkland, Washington  
 (September 21, 2017)  
 FINRA Arbitration Case #16-00949

**Levi David Lindemann (CRD #4163876)**  
 Duluth, Minnesota  
 (September 5, 2017)  
 FINRA Arbitration Case #15-02532

**John Scott Matthews (CRD #2082907)**  
 Roslyn, New York  
 (September 18, 2017 – October 18, 2017)  
 FINRA Arbitration Case #15-01784

**Ataf Nabli (CRD #4542487)**  
 Jersey City, New Jersey  
 (September 21, 2017)  
 FINRA Arbitration Case #15-03258

**Carrie Riley (CRD #5199762)**  
 Goleta, California  
 (April 1, 2016 – September 29, 2017)  
 FINRA Arbitration Case #13-03119

**Englebert Sarmiento (CRD #4506010)**  
 Fresh Meadows, New York  
 (September 18, 2017)  
 FINRA Arbitration Case #15-01784

## FINRA Hearing Panel Fines C.L. King & Associates \$750,000 for Negligent Misrepresentations and Omissions in Connection with Death Put Investments and AML-Related Violations

A FINRA extended hearing panel censured Albany, NY-based broker-dealer [C.L. King & Associates, Inc.](#) and fined the firm \$750,000 for negligently making material misrepresentations and omissions to issuers in connection with the firm's redemptions of debt securities on behalf of a hedge fund customer. The hearing panel also found that C.L. King and its AML Compliance Officer, Respondent [Gregg Alan Miller](#), who was suspended in a principal capacity for six months and fined \$20,000, failed to establish and implement a reasonable AML program and failed to adequately respond to red flags related to the liquidation of billions of shares of penny stocks indicative of potentially suspicious activity by two customers. The decision resolves charges brought by FINRA's Department of Enforcement in [April 2016](#).

According to the hearing panel decision, the manager of the hedge fund opened joint accounts at C.L. King with terminally ill persons as joint tenants with rights of survivorship. The hedge fund's strategy involved using the accounts to purchase discounted corporate bonds that contained a survivor option, or "death put." The death put feature allowed the manager of the hedge fund, as the joint account's survivor, to redeem the investments from issuers – through C.L. King – for the full principal amount before maturity upon the death of a joint tenant. The hedge fund paid terminally ill persons \$10,000 to agree to open a joint account with the manager of the fund. The manager and fund obtained referrals to open joint accounts from a hospice in New Jersey. The hearing panel found that C.L. King had an obligation to disclose to issuers during the redemption process that terminally ill joint tenants were not in fact beneficial owners of the investments because the hedge fund required them to sign side agreements in which they agreed to give up their ownership rights to the assets in the joint accounts.

In addition, separate from C.L. King's debt securities business, from 2009 to 2014, the firm sold billions of shares in penny stocks on behalf of two customers. One of the customers, a bank based in Liechtenstein, sold 41 million of shares of 40 penny stocks generating more than \$4.8 million in proceeds and the other customer sold more than 11 billion shares in 138 stocks for proceeds of more than \$14 million. The hearing panel found that C.L. King and Miller failed to tailor its AML program to the risks presented by its penny stock business and did not monitor the customers' trading activity for red flags indicative of potential money laundering. Respondents ignored red flags that included, for example, the issuers whose stock the customers sold generated little or no revenue and they had little history of doing business. The stocks were often the subject of promotional activity on the Internet around the time the customers sold their shares. In some cases, promoters were paid for touting the stocks. The promotional activity was a red flag suggesting the possible existence of a pump-and-dump scheme. The two customers sometimes sold a large percentage of an issuer's outstanding shares.

The hearing panel also found that the firm and Miller failed to conduct adequate due diligence into the trading activities of the Liechtenstein bank, a foreign financial institution as defined by the Bank Secrecy Act, which obligates firms to engage in a heightened assessment of the money laundering risks presented by such a customer.

On September 22, 2017, C.L. King and Miller appealed [the decision](#) to the National Adjudicatory Council. The sanctions are not in effect pending review.

### **FINRA Sanctions Morgan Stanley \$13 Million in Fines and Restitution for Failing to Supervise Sales of UITs**

FINRA has fined [Morgan Stanley Smith Barney LLC](#) \$3.25 million and required the firm to pay approximately \$9.78 million in restitution to more than 3,000 affected customers for failing to supervise its representatives' short-term trades of unit investment trusts (UITs).

A UIT is an investment company that offers units in a portfolio of securities that terminates on a specific maturity date, often after 15 or 24 months. UITs impose a variety of charges, including a deferred sales charge and a creation and development fee, that can total approximately 3.95 percent for a typical 24-month UIT. A registered representative who repeatedly recommends that a customer sell his or her UIT position before the maturity date and then "rolls over" those funds into a new UIT causes the customer to incur increased sale charges over time, raising suitability concerns.

FINRA found that from January 2012 through June 2015, hundreds of Morgan Stanley representatives executed short-term UIT rollovers, including UITs rolled over more than 100 days before maturity, in thousands of customer accounts. FINRA further found that Morgan Stanley failed to adequately supervise representatives' sales of UITs by providing insufficient guidance to supervisors regarding how they should review UIT transactions to detect unsuitable short-term trading, failing to implement an adequate system to detect short-term UIT rollovers, and failing to provide for supervisory review of rollovers prior to execution within the firm's order entry system. Morgan Stanley also failed to conduct training for registered representatives specific to UITs.

Susan Schroeder, FINRA Executive Vice President and Head of Enforcement, said, "Due to the long-term nature of UITs, their structure, and upfront costs, short-term trading of UITs may be improper and raises suitability concerns. Firms must adequately supervise representatives' sales of UITs –including providing sufficient training –and have in place a system to detect potentially unsuitable short-term UIT rollovers."

In assessing sanctions, FINRA has recognized Morgan Stanley's cooperation in having initiated a firmwide investigation that included, among other things, interviewing more than 65 firm personnel and the retention of an outside consultant to conduct a statistical analysis of UIT rollovers at the firm; identified customers affected and establishing a plan to provide remediation to those customers; and provided substantial assistance to FINRA in its investigation.

As a result of this case, FINRA launched a targeted [exam](#) in September 2016 focused on UIT rollovers. In addition, in its [2017 Exam Priorities Letter](#), FINRA highlighted that it was evaluating firms' ability to monitor for short-term trading of long-term products.

In settling [this matter](#), Morgan Stanley neither admitted or denied the charges, but consented to the entry of FINRA's findings.