

Disciplinary and Other FINRA Actions

Firms Fined, Individuals Sanctioned

TR Capital Group, LLC dba Titus Rockefeller, LLC ([CRD® #43608](#), Westport, Connecticut) and Richard Christopher Stoyeck ([CRD #842122](#), Wilton, Connecticut) submitted a Letter of Acceptance, Waiver and Consent (AWC) in which the firm was censured and fined \$15,000. Stoyeck was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 15 business days. A lower fine was imposed on the firm after considering, among other things, its revenues and financial resources. Without admitting or denying the findings, the firm and Stoyeck consented to the sanctions and to the entry of findings that the firm, acting through Stoyeck, knew that certain registered representatives were using personal email addresses to conduct firm business, in violation of the firm's written supervisory procedures (WSPs). The findings stated that the firm and Stoyeck failed to establish, maintain, and enforce an adequate supervisory system to ensure that business-related emails to and from these addresses were subject to retention and supervision, and they failed to preserve all business-related email communications.

The suspension was in effect from April 4, 2016, through April 22, 2016.
([FINRA Case #2015045794201](#))

Firms Fined

Aegis Capital Corp. ([CRD #15007](#), New York, New York) submitted an AWC in which the firm was censured, fined \$145,000, and required to retain within 90 days of the date of the notice of acceptance of this AWC, an independent consultant, not unacceptable to FINRA, to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) and training relating to trade reporting and Trade Reporting and Compliance Engine® (TRACE®) reporting. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it inaccurately reported its capacity in trades to the FINRA/Nasdaq Trade Reporting Facility (FNTRF). The findings stated that the firm failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time, failed to report to TRACE S1 transactions in TRACE-eligible securities representing 15 percent of the S1 transactions that the firm was required to report, and failed to accept or decline transactions that were reported to the Over-The-Counter (OTC) Reporting Facility (OTCRF) within 20 minutes after execution. The findings also stated that the firm failed to enforce its WSPs, which specified that the trade reporting supervisor reviews

Reported for May 2016

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).

trades reported to the FNTRF on a daily basis and the FINRA trade reporting report cards on a monthly basis. The firm also failed to enforce its WSPs, which specified that the TRACE reporting supervisor reviews transactions reported to TRACE on a daily basis and the TRACE report cards on a monthly basis. ([FINRA Case #2013036669201](#))

Ascendant Capital Markets, LLC ([CRD #152912](#), Irvine, California) submitted an AWC in which the firm was censured, fined \$12,500, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that during the restricted period for the distribution of securities in the first tranche of an offering of a company's common stock, while it acted as a distribution participant for the offering, the firm published and maintained bids in the company's common stock, and purchased shares of the company's common stock on a principal basis on four occasions. The findings stated that because the firm acted as a manager (or in a similar capacity) in the company's offering, it was required to submit to FINRA, in timely fashion, the Regulation M Trading Notification. The firm failed to submit a Regulation M Restricted Period Notification in connection with the company's offering, and failed to timely submit a Regulation M Trading Notification in connection with the offering. The findings also stated that the firm acted as a manager (or in a similar capacity) in two distributions of another company's common stock, including with respect to a private placement of nonconvertible promissory notes and warrants to purchase shares of the company's common stock, and in connection with an at-the-market offering of the common stock. The firm failed to timely submit the Regulation M Restricted Period Notifications for each of the two distributions of the company's common stock. The firm also failed to submit the Regulation M Trading Notification for the private placement of the company's common stock, and failed to timely submit the Regulation M Trading Notification for the company's at-the-market offering. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm's WSPs failed to provide for the minimum requirements for adequate WSPs regarding Rule 101 of Regulation M and FINRA Rule 5190. ([FINRA Case #2012034455101](#))

Ascendant Capital Markets, LLC ([CRD #152912](#), Irvine, California) submitted an AWC in which the firm was censured, fined \$57,500, and required to address its trade reporting, Order Audit Trail System (OATS™), books and records, and supervisory deficiencies to ensure that the firm has implemented procedures that are reasonably designed to achieve compliance with applicable rules and regulations. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed, within 30 seconds after execution, to transmit last sale reports of transactions in designated securities to the FNTRF, and failed to designate through the FNTRF using the applicable trade report modifier that the majority of such last sale reports were late. The findings stated that the firm failed to report the correct execution time to the FNTRF in last sale reports of transactions in designated securities, and incorrectly designated to the

FNTRF each of these reports as “.T” (*i.e.*, executed after normal market hours) when the transactions were executed during normal market hours. The firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. The firm failed to show the correct execution time on brokerage order memoranda, and failed to show the correct terms and conditions on brokerage order memoranda.

The findings also stated that the firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA rules, concerning equity trade reporting, OATS, and books and records requirements. In addition, the firm failed to enforce its WSPs, which specified that the designated principal is responsible for implementing the proper trade reporting requirements for all transactions the firm conducts, periodically comparing trade reports to order execution documents to ensure that trades are being properly reported as they are executed; ensuring the firm conducts OATS activities, including reporting, in compliance with FINRA rules; and periodically reviewing OATS data, including special handling codes, to ensure they are properly and timely submitted. ([FINRA Case #2013035664601](#))

BNP Paribas Securities Corp. ([CRD #15794](#), New York, New York) submitted an AWC in which the firm was censured, fined \$40,000, 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 transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm’s WSPs failed to provide for one or more of the four minimum requirements for adequate WSPs regarding OATS reporting. ([FINRA Case #2014039940401](#))

Crowell, Weedon & Co. ([CRD #193](#), Los Angeles, California) submitted an AWC in which the firm was censured and fined \$80,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in the course of conducting its net capital computations, it failed to take appropriate haircuts on certain proprietary mortgage-backed securities (MBS) held in its inventory. The findings stated that the failure resulted in the firm overstating its net capital for seven consecutive months in amounts ranging from \$6.6 million to \$7.7 million. The firm’s required net capital computations and monthly Financial and Operational Combined Uniform Single (FOCUS) reports filed with FINRA—both books and records of the firm—were also inaccurate. The findings also stated that the firm failed to establish, maintain and enforce an adequate supervisory system reasonably designed to ensure that proper haircuts were applied to its proprietary MBS positions, and thereby failed to ensure the accuracy of its net capital computations and FOCUS filings. Additionally, the firm failed to establish an adequate supervisory system designed to ensure that any requests to deviate from the established position and loss limits were documented and approved. ([FINRA Case #2013037610301](#))

Deutsche Bank Securities Inc. (CRD #2525, New York, New York) submitted an AWC in which the firm was censured and fined \$120,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report new issue offerings in TRACE-eligible securitized products and TRACE-eligible corporate debt securities to FINRA in accordance with the time frame set forth in FINRA Rule 6760(c). The findings stated that the firm failed to report large block S1 transactions to TRACE within the time required by FINRA Rule 6730. ([FINRA Case #2014042569801](#))

Deutsche Bank Securities Inc. (CRD #2525, New York, New York) was censured; fined a total of \$4,070,000, of which \$1,403,334 shall be paid to FINRA; and undertakes to, 90 days after this AWC becomes final, and again 180 days after this AWC becomes final, make a written submission to FINRA regarding its options positions reporting to the Large Options Positions Report (LOPR). The balance of the firm's fine will be paid to Nasdaq PHLX LLC and the International Securities Exchange, LLC pursuant to separate settlement agreements. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it exceeded the relevant position limit in three different securities for five different customers (exceeding the relevant position limit in a range of between 7.9 percent and 120 percent) for between one and seven consecutive days during October 2011, January 2014, November 2014, and January 2015 through February 2015. The findings stated that the firm reported incorrect Options Contract Equivalent of the Net Delta (OCENDs), excluded certain expiring options from its end-of-day OCEND calculations in one symbol, and failed to report its OCEND in one symbol.

The findings also stated that the firm failed to report, or failed to accurately report, an unknown but significant number of conventional options positions to the Options Clearing Corporation (OCC) LOPR. In as many as approximately two million instances, the firm had failed to report conventional options positions to the LOPR due to the firm's failure to aggregate certain positions for acting in concert (AIC) purposes and the firm's erroneous deletion of positions that fell below the 200-contract reporting threshold without first reporting the below-the-threshold amount to the OCC. In as many as 1.5 million instances, the firm had over-reported conventional options to the LOPR due to the firm's erroneous aggregation method, and in tens of millions of instances, the firm had failed to accurately report conventional options positions to the LOPR as a result of errors in various required LOPR data fields (*e.g.*, account name, tax identification, and account address) and its failure to report AIC identifiers in certain instances. The findings also included that the firm failed to maintain an adequate system of supervision, including systems of follow-up and review, which were reasonably designed to achieve compliance with the rules governing the reporting of positions to the LOPR system and compliance with position limits. The firm also lacked sufficient WSPs requiring reviews to ensure compliance with position limits, to determine that LOPR submissions were accurate, to review rejects, to ensure that all reportable positions had actually been reported, and to identify and report options positions appropriately as AIC. ([FINRA Case #2011029600301](#))

Financial West Investment Group, Inc. ([CRD #16668](#), Westlake Village, California) submitted an AWC in which the firm was censured, fined \$30,000, required to revise its WSPs, and ordered to pay \$199.76, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to show order receipt time on brokerage order memoranda and failed to show the correct order receipt time on brokerage order memoranda. The findings stated that the firm failed to execute market orders fully and promptly. In some of those orders, the firm failed to use reasonable diligence to ascertain the best market for the subject securities so that the resultant price to the 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 the applicable securities laws and regulations, and FINRA rules, concerning FINRA Rule 5310. ([FINRA Case #2012034704301](#))

GWM Group, Inc. ([CRD #42844](#), Stamford, Connecticut) submitted an AWC in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it improperly paid securities commissions of approximately \$2,990,210 to an unregistered entity wholly owned and controlled by a registered principal associated with the firm. The findings stated that the firm failed to establish and enforce an adequate supervisory system, including WSPs, to supervise the activity of a newly acquired branch office. Among other things, the firm failed to establish procedures to review the bank account opened in the name of the unregistered entity that was used to conduct branch business. Several FINRA member firms paid the unregistered entity a total of approximately \$900,000 as payment for order flow. The firm's lack of an adequate supervisory system to review the unregistered entity's bank account permitted these improper payments to go undetected. In addition, the firm failed to establish WSPs reasonably designed to provide guidance for branch office inspections, and to designate supervisors and assignment of supervisory responsibilities. The firm also failed to enforce its written procedures prohibiting the payment of securities commissions to unregistered parties. ([FINRA Case #2013035632802](#))

Halen Capital Management, Inc. ([CRD #135966](#), Clearwater, Florida) submitted an AWC in which the firm was censured; fined \$100,000; shall, within 45 days of the acceptance of the AWC, provide a written notice to each affected investor that he/she has the right to surrender his/her shares obtained in a company's private offering in return for a refund of his/her original investment; and shall retain, within 45 days of the acceptance of this AWC, an independent consultant to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) and training relating to private placements, advertising, annual chief executive officer (CEO) certifications, member private offerings and Section 5 of the Securities Act of 1933. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it distributed confusing and misleading offering documents for unregistered common stock offered by a company. The findings stated that the firm distributed a private placement

memoranda (PPM) for the company that did not comply with FINRA rules governing member firm communications with the public. The documents created a substantial risk that investors could be confused or misled, were not fair and balanced, and did not provide a sound basis for evaluating the facts relevant to the company's securities being offered. The findings also stated that the firm participated in the sale of unregistered and non-exempt securities in contravention of Section 5. The firm participated in sales of the company's stock to non-accredited investors, not all of whom were sophisticated. Moreover, the non-accredited investors were not provided with all of the written financial disclosures required to satisfy applicable rules. The findings also included that the firm failed to file the company's offering documents with FINRA before providing them to prospective investors after the company acquired and became a controlling entity of the firm. FINRA found that the firm maintained inadequate supervisory systems relating to the firm's participation in private placements and communications with the public. FINRA also found that firm failed to have its CEO make annual supervisory certifications required by FINRA. ([FINRA Case #2013038612301](#))

IIFL Capital Inc. ([CRD #149073](#), New York, New York) submitted an AWC in which the firm was censured and fined \$15,000. 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 it did not meet its minimum net capital requirements. The findings stated that the net capital deficiency was due to the misclassification of uncollected receivables (for soft dollar income) as allowable instead of non-allowable. ([FINRA Case #2015044031801](#))

Jefferies LLC ([CRD #2347](#), New York, New York) submitted an AWC in which the firm was censured, fined \$235,000, and required to revise the firm's supervisory procedures to monitor execution times reported to TRACE. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that for settlement dates January 15, 2010, through October 14, 2011, the firm reported 112 short interest positions in dually listed foreign securities totaling 8,944,854 shares, when it should have reported 112 short interest positions totaling 55,007,028 shares; and for settlement dates January 15, 2010, through October 14, 2011, the firm failed to report 1,382 short interest positions in dually listed foreign securities totaling 179,838,025 shares. The findings stated that the firm failed to report the correct contra-party's identifier for S1 transactions in TRACE-eligible agency debt securities to TRACE. As a Joint Lead Manager or Sole Manager, the firm failed to report new issue offerings in TRACE-eligible agency debt securities to FINRA according to the time frames set forth in FINRA Rule 6760(c).

The findings also stated that the firm reported to TRACE S1 transactions in corporate debt securities with a reported trade execution time that was inaccurate, failed to report in a timely manner S1 transactions in TRACE-eligible corporate debt securities to TRACE within 15 minutes of execution, and failed to report the correct execution time on the firm's order memoranda for the S1 transactions. The firm failed to report S1 transactions in TRACE-

eligible agency debt securities within 15 minutes of the execution time to TRACE, and failed to report S1 transactions in agency debt securities within 15 minutes of the execution time to TRACE. The findings also included that for settlement dates March 14, 2014, through August 29, 2014, the firm reported 3,439 short interest positions totaling 104,234,568 shares, when it should have reported 2,158 short interest positions totaling 28,441,522 shares.

FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning the firm's short interest reports and the accuracy of execution times reported to TRACE. The firm did not have in place a specific review for inter-dealer time mismatches. ([FINRA Case #2012031097101](#))

Kansas City Brokerage, Inc ([CRD #32383](#), Merriam, Kansas) submitted an AWC in which the firm was 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 sanction and to the entry of findings that it failed to conduct adequate annual, independent tests of its anti-money laundering (AML) compliance program. The findings stated that instead, in November 2013, the firm conducted one test of its AML compliance program that covered 2011, 2012 and 2013. AML testing for the year 2010 was not conducted, and AML testing for the years 2011 and 2012 was not conducted in a timely fashion. In addition, the single test of the firm's AML compliance program purportedly for the years 2011, 2012, and 2013 was conducted by the firm's chief compliance officer (CCO) and AML compliance officer, and not an independent party within the meaning of FINRA Rule 3310(c).

The findings also stated that the firm failed to conduct annual testing of its supervisory controls, policies and procedures; to prepare reports of such testing for the firm's senior management; and to certify its written compliance policies and WSPs. The firm also failed to complete an adequate annual certification of its written compliance policies and WSPs for the years 2010, 2011 and 2012. In addition, although the firm completed a certification for 2013, that certification was inadequate because the 2013 certification was made without the necessary report (either the supervisory controls report or other report as contemplated by FINRA Rule 3130) being reviewed by the CEO or CCO. ([FINRA Case #2014039012001](#))

KCG Americas LLC ([CRD #149823](#), Jersey City, New Jersey) submitted an AWC in which the firm was censured and fined \$27,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that the firm made available a report that contained inaccurate information on the covered orders in national market system securities that it received for execution from any person. ([FINRA Case #2013035822401](#))

Lombard Securities Incorporated ([CRD #27954](#), Baltimore, Maryland) submitted an Offer of Settlement in which the firm was censured and fined \$50,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the allegations, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce a supervisory system and WSPs that were reasonably designed to ensure the retention, preservation and review of email, and it failed to retain and review certain emails. Firm principals were aware that registered representatives were using outside email accounts for business-related communications, even though it was contrary to the firm's supervisory procedures. The findings stated that the firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to prevent unsuitable mutual-fund switching and to supervise the sale of leveraged, inverse and inverse-leveraged exchange-traded funds (ETFs). As a result, the firm failed to adequately supervise and failed to reject mutual fund switches despite the presence of "red flags." The firm did not have any electronic surveillance reports or exception reports to detect mutual fund switches, but instead relied on a manual blotter review. The firm's manual monitoring system was unreasonable and resulted in the firm's failure to detect most, if not all, of the mutual-fund switches. The firm also failed to employ any sort of exception report or other automated surveillance to monitor holding periods for non-traditional ETFs. The firm monitored transactions in non-traditional ETFs through a daily trade blotter that did not differentiate between traditional and non-traditional ETFs, and did not specify the hold periods for either. Many of the undetected transactions in non-traditional ETFs involved extended holding periods and excessive concentration levels, and/or resulted in customer losses. The findings also stated that the firm failed to apply sales-charge discounts to customers' eligible purchases of unit investment trusts (UITs), which resulted in approximately \$25,037.23 in total missed discounts. The firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to ensure that customers received sales-charge discounts on all eligible UIT purchases. ([FINRA Case #2014038911101](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated ([CRD #7691](#), New York, New York) submitted an AWC in which the firm was censured and fined \$155,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit Reportable Order Events (ROEs) to OATS under its various market participant identifiers (MPID). The findings stated that the firm failed to report to the FNTRF by 8:00 p.m. Eastern Time transactions that required an .X modifier. The findings also stated that the firm failed to provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules concerning OATS and trade reporting. ([FINRA Case #2013037678901](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated ([CRD #7691](#), New York, New York) submitted an AWC in which the firm was censured, fined \$565,000, and ordered to pay \$95,530.93, plus interest, in restitution to customers. The firm has paid remediation to relevant customers in the amount of \$90,841.10. Without admitting or denying the

findings, the firm consented to the sanctions and to the entry of findings that it purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer, or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. The findings stated that in corporate bond transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. In corporate bond transactions, the firm sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. ([FINRA Case #2009020201201](#))

Morgan Stanley & Co. LLC ([CRD #8209](#), New York, New York) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that as managing underwriter, it failed to report new issue offerings to FINRA in TRACE-eligible corporate debt securities and TRACE-eligible securitized products according to the time frames set forth in FINRA Rule 6760(c). The findings stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning Rule 6760. ([FINRA Case #2013038745401](#))

NCG Securities LLC ([CRD #160481](#), Red Bank, New Jersey) submitted an AWC in which the firm was censured and fined \$20,000. 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 falsely represented to FINRA in several new member applications that the firm had not conducted a securities business prior to receiving approval of its membership from FINRA. The findings stated that in the application and accompanying attachments the firm submitted to FINRA, the firm indicated that it intended to function as a placement agent and solicit investors to invest in private placements. The firm then submitted several revised versions of its new member application. In each version, the firm affirmed that it had not "previously conducted a securities business" and was not "currently engaged in the conduct of a securities business." However, prior to the approval of the firm's membership with FINRA, the firm solicited investors to invest in a private placement. As a result, customers invested approximately \$18,750,000 in the private placement through the firm. The firm later received \$187,500 as compensation for its participation in the private placement. FINRA later approved the firm's membership. ([FINRA Case #2013036927201](#))

Oakbridge Financial Services, Inc. ([CRD #16323](#), Kirkwood, Missouri) submitted an AWC in which the firm was censured and fined \$20,000. 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 the firm's supervision of its registered representatives' outside business activities was inadequate. The findings stated the firm's WSPs required the firm to document the review and approval or non-approval of outside business activities on its disclosure forms. However, following a registered representative's submission of outside business activity forms, no registered principal at the firm had reviewed or approved the registered representative's disclosures. The findings also stated that the firm failed to implement, maintain and enforce an adequate system for supervising cross-trading of church bonds. An individual who was both a registered representative and registered principal at the firm executed cross trades of church bonds. Although the individual's transactions were typically reviewed by another principal at the firm, the individual approved nearly all of his own church-bond cross trades. As a result, the suitability, pricing and other aspects of those trades were never subjected to appropriate supervisory review. ([FINRA Case #2014039174201](#))

Performance Trust Capital Partners, LLC ([CRD #36155](#), Chicago, Illinois) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within 15 minutes of the execution time. ([FINRA Case #2014043124401](#))

Raymond James & Associates, Inc. ([CRD #705](#), St. Petersburg, Florida) and **Raymond James Financial Services, Inc.** ([CRD #6694](#), St. Petersburg, Florida) submitted an AWC in which they were censured, fined \$500,000, and required to review and revise, as necessary, its policies, procedures and internal controls to achieve compliance with Regulation S-P under the Securities Exchange Act of 1934. Without admitting or denying the findings, the firms consented to the sanctions and to the entry of findings that they caused certain newly recruited registered representatives from other brokerage firms to disclose customer nonpublic personal information to them, in violation of Regulation S-P. The findings stated that the firms used the nonpublic personal information provided to them to pre-populate new account forms with certain customer information. The firms, however, failed to make any determination as to whether the recruits, or the current broker-dealers with which the recruits were associated, had obtained the customers' consent to provide the firms with the customers' nonpublic personal information or provided customers with notice of, and an opportunity to opt-out of, the disclosure. The findings also stated that the firms failed to implement reasonable supervisory systems, including WSPs and training, to ensure compliance with Regulation S-P. The firms failed to prevent the improper solicitation of nonpublic personal information from recruits, failed to adequately train and educate staff on what constituted nonpublic personal information and the appropriate circumstances in which such information could be shared, and with respect to registered representatives

who were transitioning from the firms to another broker-dealer, they were unable to demonstrate that their WSPs were systematically followed and enforced. ([FINRA Case #2013035599201](#))

RBC Capital Markets, LLC (CRD #31194, New York, New York) submitted an AWC in which the firm was censured, fined \$300,000, and required to provide a written certification to FINRA that the firm's systems, policies, and procedures regarding the review and disclosure of reportable unsatisfied liens and judgments of registered representatives on Uniform Applications for Securities Industry Registration or Transfer (Forms U4), in instances where the firm received a garnishment notice, are reasonably designed to ensure compliance with Article V, Section 2(c) of FINRA's By-Laws. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to amend, or timely amend, Forms U4 for registered representatives to report unsatisfied tax liens and civil judgments. The findings stated that the firm received wage garnishment orders from courts and tax authorities (including the Internal Revenue Service (IRS)) resulting from tax levies, civil judgments and similar actions, for registered representatives. The firm, however, failed to consistently conduct a sufficient inquiry to determine if the underlying event triggering each garnishment order involved an event that should have been reported on the affected individual's Form U4.

The findings also stated that the firm failed to establish and maintain a supervisory system and WSPs reasonably designed to ensure that it disclosed reportable unsatisfied liens and judgments of registered representatives on Forms U4, in instances in which a garnishment notice was sent to the firm. The firm did not have sufficient supervisory procedures in place to ensure that its payroll department notified compliance or supervisory personnel to determine if the garnishment involved a reportable event, or that compliance or supervisory personnel took appropriate steps to consider garnishments and disclose reportable events as necessary. ([FINRA Case #2013039474902](#))

RBC Capital Markets, LLC (CRD #31194, New York, New York) submitted an AWC in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report S1 transactions to TRACE in TRACE-eligible corporate debt securities within the time required by FINRA Rule 6730, and failed to report transactions to TRACE in TRACE-eligible securitized products and TRACE-eligible agency debt securities within the time required by Rule 6730. ([FINRA Case #2014041197401](#))

Stifel, Nicolaus & Company, Incorporated (CRD #793, St. Louis, Missouri) submitted an AWC in which the firm was censured, fined \$25,000, and must offer rescission to customers who executed transactions at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue that were not subject to an exception under the applicable rule. ([FINRA Case #2014041851101](#))

TD Ameritrade, Inc. (CRD #7870, Omaha, Nebraska) submitted an AWC in which the firm was censured, fined \$250,000, and required to revise the firm's WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it routed 100 percent of its orders to an affiliate broker-dealer for order handling and execution. The findings stated that as a result, the firm did not qualify as an OATS Reporting Member under FINRA Rule 7410(o), and therefore the firm was excluded from having to report to OATS the orders that it routed to its affiliate broker-dealer. The firm began using a second order router that sent order flow directly to market centers and not to the affiliate broker-dealer, which resulted in the firm qualifying as an OATS Reporting Member. Once the firm became an OATS Reporting Member, the firm was required to submit to OATS ROEs for the orders that it routed to its affiliate broker-dealer for order handling and execution. The firm, however, continued to apply the reporting exclusion and did not submit the ROEs to OATS. As a result, the firm failed to transmit 301,794,930 ROEs to OATS on 983 business days. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, regarding OATS. ([FINRA Case #2014040833501](#))

Three Brothers Trading, LLC dba Alternative Execution Group (CRD #167830, New York, New York) submitted an AWC in which the firm was censured and fined \$13,000. 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 implement policies and procedures that reasonably avoid displaying, or engaging in a pattern or practice of displaying, locking or crossing quotations in any OTC equity security. The findings stated that firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm's WSPs failed to provide for the minimum requirement for adequate WSPs regarding locking or crossing quotations in OTC equity securities. ([FINRA Case #2014040932301](#))

Tradition Asiel Securities Inc. nka Tradition Securities and Derivatives, Inc. (CRD #28269, New York, New York) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report S1 transactions in TRACE eligible corporate debt securities to TRACE within 15 minutes of the execution time, failed to report the correct trade execution time for transactions in TRACE-eligible securitized products to TRACE, and failed to show the correct execution time on brokerage order memoranda. ([FINRA Case #2014041187201](#))

Triad Advisors, Inc. (CRD #25803, Norcross, Georgia) submitted an AWC in which the firm was censured, fined \$125,000 and ordered to pay \$102,631.62, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply sales

charge discounts to certain customers' eligible purchases of UITs, resulting in customers paying excessive sales charges of approximately \$102,631.62. The findings stated that the firm failed to establish, maintain, and enforce a supervisory system and adequate WSPs reasonably designed to ensure customers received sales charge discounts on all eligible UIT purchases. Prior to May 2012, the firm did not have a supervisory system designed to identify and apply sales charge discounts. In May 2012, the firm implemented an alert system to identify UIT breakpoint discounts, but the alert system did not apply to rollovers and exchanges, which accounted for more than 85 percent of its missed discounts. ([FINRA Case #2014042544301](#))

UBS Financial Services Inc. ([CRD #8174](#), Weehawken, New Jersey) submitted an AWC in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the accurate execution time to TRACE for agency/secured product transactions, and failed to record the correct execution time on brokerage order memoranda of agency/secured product transactions. ([FINRA Case #2015044192701](#))

VFinance Investments, Inc. ([CRD #44962](#), Boca Raton, Florida) submitted an AWC in which the firm was censured, fined \$17,500, and required to revise the firm's WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it executed short sale orders that it failed to properly mark as short. 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. The firm's WSPs failed to provide for one of the four minimum requirements for adequate WSPs for order marking pursuant to Rule 200(g) of Regulation SHO. ([FINRA Case #2013036283701](#))

Individuals Barred or Suspended

Billy Wayne Allen ([CRD #5515997](#), Bentonville, Arkansas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Allen consented to the sanction and to the entry of findings that he failed to appear for FINRA on-the-record testimony in connection with an investigation into his solicitation and acceptance of loans from customers. ([FINRA Case #2015044282301](#))

Noyeg W. Arkoian ([CRD #2765791](#), Las Vegas, Nevada) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Arkoian consented to the sanctions and to the entry of findings that she accepted loans from customers totaling \$17,750. The findings stated that the policies of Arkoian's member firm prohibited her from borrowing money from firm customers (with limited exceptions not present here), and she neither disclosed the loans to her firm nor sought or obtained the firm's preapproval.

The suspension is in effect from March 21, 2016, through June 20, 2016. ([FINRA Case #2015046174601](#))

Matthew John Arnold ([CRD #6308181](#), Jacksonville, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Arnold consented to the sanction and to the entry of findings that he refused to provide FINRA with documents and information during the course of its investigation into allegations that he wrongfully deposited a check into his member firm account that was written to another individual with the same name. ([FINRA Case #2015048321501](#))

John Vincent Ballard ([CRD #2988526](#), Memphis, Tennessee) was barred from association with any FINRA member firm in any capacity. Ballard submitted an application for review to the Securities and Exchange Commission (SEC) that was dismissed as untimely. The sanction was based on findings that Ballard failed to provide FINRA-requested information and documents, and failed to appear for testimony as part of an investigation into the circumstances surrounding Ballard's separation from his member firm. The findings stated that Ballard failed to provide his firm with prior written notice of an outside business activity. ([FINRA Case #2010025181001](#))

Adrian Robert Barr ([CRD #5002855](#), Dunwoody, Georgia) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Barr consented to the sanction and to the entry of findings that he failed to appear for FINRA on-the-record testimony in connection with an investigation into the circumstances surrounding his termination from his member firm for allegedly transferring self-directed client accounts to his personal representative code. ([FINRA Case #2014041009201](#))

Christopher Charles Burtraw ([CRD #4670431](#), Denver, Colorado) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Burtraw 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 into allegations that he borrowed funds from multiple customers. ([FINRA Case #2015047206101](#))

Dan Jon Carpenter ([CRD #4857094](#), San Jose, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Carpenter consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony during its investigation into Carpenter's possible FINRA rule violations. ([FINRA Case #2015044304601](#))

Alfred Kai Kwong Chan ([CRD #4473594](#), Alameda, California) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Chan

consented to the sanctions and to the entry of findings that he sold indexed annuities with an approximate value of \$2.5 million through an outside business activity without providing proper written notice disclosing the sales or his compensation from them to his member firm. The findings stated that Chan also distributed a newspaper advertisement in connection with seminars he conducted that lacked adequate risk disclosure and was not approved by the firm. Prior to the seminars, Chan submitted the newspaper advertisement to his firm for approval. Chan withdrew his request prior to receiving principal approval, but he used the newspaper advertisement in connection with his seminars anyway by publishing it in a community newspaper.

The suspension is in effect from April 4, 2016, through October 3, 2016. ([FINRA Case #2013039301501](#))

Nita Lynn Charlton-Gomes ([CRD #2886297](#), Huntington Beach, California) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Charlton-Gomes consented to the sanction and to the entry of findings that in connection with the National Futures Association (NFA) registration of one of her member firm's employees, she fabricated an email ostensibly stating that the NFA had received the employee's examination information and confirming the employee's registration with the NFA. The findings stated that the firm discovered that one of its employees was not registered with the NFA, which at that time, Charlton-Gomes' responsibilities included submitting registration-related documents on the firm's behalf. According to Charlton-Gomes, she submitted the requisite information to the NFA concerning the employee's registration and fabricated the email that she purportedly received from an NFA employee, which confirmed that the NFA had received the employee's examination results and the registration had been approved. Charlton-Gomes then provided this fabricated email to both the firm and the NFA as evidence that the employee should have been properly registered. Not only did the email prove to be falsified, but the NFA never employed the purported sender of the email. ([FINRA Case #2015047119001](#))

Tracy Chen ([CRD #2553295](#), Rowland Heights, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that she submitted false expense reports seeking reimbursement from her member firm for expenses she did not incur, and converted \$1,600 in firm funds paid to her as a result. The findings stated that Chen caused the firm to maintain inaccurate books and records by submitting false expense reports. ([FINRA Case #2013036678201](#))

Enrique Cisneros Jr. ([CRD #5676887](#), El Paso, Texas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Cisneros consented to the sanction and to the entry of findings that he failed to appear for a FINRA on-the-record interview during the course of its investigation into a customer complaint that Cisneros misappropriated approximately

\$550 in funds remitted by the customer to pay a premium on his life insurance policy, and as a result, the customer's policy lapsed. ([FINRA Case #2015045644201](#))

Robert Kevin Connors ([CRD #1365861](#), Darien, Connecticut) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Connors consented to the sanctions and to the entry of findings that he participated in a private securities transaction without disclosing his participation to his member firm or obtaining its permission to do so. The findings stated that Connors sought and obtained a \$200,000 loan from a customer. The loan Connors obtained was not permitted under his firm's procedures, and he did not disclose the loan to the firm or seek its approval to enter into the loan.

The suspension is in effect from March 21, 2016, through June 20, 2016. ([FINRA Case #2014042004001](#))

Richard Crescenzo ([CRD #1134115](#), Stony Brook, New York) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for two years. In light of Crescenzo's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Crescenzo consented to the sanction and to the entry of findings that he borrowed a total of \$25,000 from elderly customers without his member firms' knowledge or approval. The findings stated that Crescenzo's firms' policies and procedures prohibited registered representatives from borrowing money from firm customers with limited exceptions, none of which applied. Crescenzo repaid one of the customers after she filed a written complaint with his firm. Crescenzo also made a partial payment of \$2,000 to another customer. Crescenzo never informed any of his firms of the loans from the customers. The findings also stated that Crescenzo completed an annual questionnaire at one of his firms in which he falsely represented that he had not borrowed money from any customer.

The suspension is in effect from April 4, 2016, through April 3, 2018. ([FINRA Case #2014043616601](#))

George Jeffrey Dahl ([CRD #59820](#), Laguna Woods, California) submitted an AWC in which he was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in any capacity for nine months. Without admitting or denying the findings, Dahl consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose a Chapter 7 bankruptcy filing and an unsatisfied federal tax lien. The findings stated that Dahl engaged in an outside business activity without providing written notice of this activity to his member firm. Dahl performed business activities for a manufacturing company, including referring potential purchasers of the company's products, assisting with tours of the company's manufacturing facilities, reviewing and editing press releases, and arranging business meetings between representatives of the company and potential purchasers. Dahl was compensated for

these efforts. The findings also stated that Dahl executed unauthorized sales of securities in a customer's account. The findings also included that Dahl listed certain inaccurate information regarding annual income and/or net worth on customer new account forms, causing his firm to maintain inaccurate books and records.

The suspension is in effect from March 7, 2016, through December 6, 2016. ([FINRA Case #2013038789901](#))

Giustino Destefano (CRD #4926924, Clarence, New York) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Destefano consented to the sanctions and to the entry of findings that he exercised discretion in customers' accounts, and executed trades without written authorization from the customers and without obtaining his member firm's prior written acceptance of the accounts as discretionary. The findings stated that Destefano mismarked order tickets as unsolicited when, in fact, the trades were solicited, causing his firm to maintain inaccurate books and records.

The suspension is in effect from March 21, 2016, through June 20, 2016. ([FINRA Case #2014041504101](#))

David Bruce Drucker (CRD #1425062, New York, New York) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Drucker consented to the sanctions and to the entry of findings that he effected transactions in the joint account of customers (a husband and wife) without having obtained the customers' prior written authorization and his member firm's written acceptance of the account as discretionary.

The suspension was in effect from March 21, 2016, through May 2, 2016. ([FINRA Case #2014040981501](#))

David Paul Eller (CRD #2464854, Westport, Connecticut) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for nine months. In light of Eller's financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, Eller consented to the sanction and to the entry of findings that he signed a false Form U4 willfully misrepresenting to his member firm that his association with another member firm had ended, when in fact the association continued for another three months. The findings stated that Eller willfully failed to timely amend his Form U4 to disclose a federal tax lien in the amount of \$4,588,740. The findings also stated that Eller engaged in outside business activities without providing prior written notice to, and obtaining prior approval from his firm.

The suspension is in effect from March 21, 2016, through December 20, 2016. ([FINRA Case #2013039114102](#))

Christopher Jamal Elliott ([CRD #5349493](#), Oxon Hill, Maryland) submitted an AWC in which he was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Elliott consented to the sanctions and to the entry of findings that he recommended unsuitable inverse and inverse-leveraged ETFs and exchange-traded notes (ETNs) (collectively, non-traditional ETFs and ETNs) transactions to his customers. The findings stated that Elliott recommended transactions in ETFs and ETNs that did not comport with the customers' financial situations, moderate investment objectives and minimal tolerance for risk, as stated on the customers' account profiles. Elliott held several of these non-traditional ETFs and ETNs in his customers' accounts for periods as long as a month, despite the fact that these products were short-term trading vehicles not meant to be held for extended periods. Collectively, the customers lost approximately \$24,850 because of their investments in non-traditional ETFs and ETNs. Elliott's former member firm has already paid restitution to the customers for these losses. Elliott also exercised discretion in accounts belonging to two of these customers, notwithstanding the fact that he did not have the customers' written authorization to place discretionary trades. Elliott's firm did not allow discretionary trading in customer accounts, and had not accepted the accounts as discretionary.

The suspension is in effect from April 4, 2016, through June 3, 2016. ([FINRA Case #2013037483101](#))

Eric Christopher Erb ([CRD #4595068](#), Bay Shore, New York) submitted an AWC in which he was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Erb consented to the sanctions and to the entry of findings that he used photocopied signature pages to open customer accounts and forged the signatures or initials of additional customers in connection with securities purchases. The findings stated that although the customers authorized the transactions at issue, Erb did not have their permission to sign their names or initials, or use photocopied signature pages. Erb also photocopied his branch manager's signature on supervisory approval forms in connection with securities purchases, thereby evading branch manager review of those transactions. The findings also stated that Erb misrepresented or omitted material information to customers by inaccurately representing within purchase forms that the customers would not incur surrender charges, redemption fees or costs for relinquishing their annuity contracts. In fact, the customers incurred surrender fees or penalties ranging from approximately \$3,000 to \$12,000. The findings also included that Erb recommended that a customer—a 74-year-old retiree—surrender annuities and purchase approximately \$147,000 in an illiquid, non-traded real estate investment trust (REIT). Erb's recommendation was unsuitable because it was not consistent with the customer's investment objective and risk tolerance, and because it placed more than half of the customer's liquid net worth in a single, high-risk, alternative investment.

The suspension is in effect from March 7, 2016, through September 6, 2017. ([FINRA Case #2013036179301](#))

Sharon Joy Fall ([CRD #2881765](#), Chester, Maryland) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Fall consented to the sanction and to the entry of findings that she failed to appear for FINRA on-the-record testimony in connection with an investigation into disclosures on the Uniform Termination Notice for Securities Industry Registration (Form U5) her member firm had filed that stated the reason for her termination as “borrowing money from clients in violation of firm policy.” ([FINRA Case #2015046272701](#))

Justin L. Ferguson ([CRD #6262193](#), Phenix City, Alabama) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ferguson consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of its investigation into allegations that he misappropriated funds from the account of a customer at an affiliate bank of his member firm. ([FINRA Case #2016048699301](#))

Noe Garcia Sr. ([CRD #5323334](#), Odessa, Texas) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Garcia consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose that he was subject to a state tax lien in the amount of \$955 and a federal tax lien in the amount of \$16,507. The findings stated that Garcia inaccurately responded on his member firm’s annual securities activities questionnaires that he was not the subject of an unsatisfied lien.

The suspension is in effect from April 4, 2016, through July 3, 2016. ([FINRA Case #2015047704001](#))

Kenton Kyle Gearhart ([CRD #2544526](#), Terrace Park, Ohio) submitted an AWC in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Gearhart consented to the sanctions and to the entry of findings that he inaccurately marked securities transactions in customer accounts as unsolicited, when they were, in fact, solicited transactions. The findings stated that as a result, Gearhart caused his member firm’s books and records to be inaccurate.

The suspension was in effect from April 4, 2016, through May 3, 2016. ([FINRA Case #2013039577501](#))

Jorge Jose Gonzalez ([CRD #4580035](#), Bergenfield, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Gonzalez consented to the sanction and to the entry of findings that he participated in converting funds from the account of a customer of his member firm’s bank affiliate, resulting in a loss to the bank of approximately \$5,668. The findings stated that the account was opened in contravention of the bank’s policies

and funded with a check that had been issued by the IRS in connection with what was eventually determined to be a fraudulent tax-return filing. Gonzalez directed a subordinate employee to open the bank account for a purported customer who was not physically present at the time, which he knew to be against bank policy. During the bank's subsequent investigation, Gonzalez claimed that the purported customer had been present in the bank at the times of the withdrawals, but no one else recalled seeing the purported customer and the bank's video surveillance tapes did not corroborate Gonzalez's claim. ([FINRA Case #2014042222101](#))

Gary Allen Graham ([CRD #2111230](#), Corona, California) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, Graham consented to the sanctions and to the entry of findings that he borrowed \$15,000 from an elderly customer without disclosing his borrowing to his member firm. The findings stated that Graham's firm's policies and procedures permitted borrowing from customers under certain circumstances, and with the firm's prior approval. The findings also stated that Graham completed the firm's annual questionnaire affirmatively attesting that he was aware that he was not "permitted to borrow money from or lend money to any client." Graham has repaid the loan in full.

The suspension is in effect from April 18, 2016 through June 1, 2016. ([FINRA Case #2015045527301](#))

William Robert Hambrecht ([CRD #234793](#), San Francisco, California) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Hambrecht consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose unsatisfied judgments relating to outside businesses totaling approximately \$22.5 million, which were entered against him.

The suspension is in effect from April 4, 2016, through April 3, 2017. ([FINRA Case #2013037680202](#))

Kenneth Shawn Hyatt ([CRD #2651738](#), Greensboro, Georgia) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for seven months. In light of Hyatt's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Hyatt consented to the sanction and to the entry of findings that he attempted to transfer several customer retirement plans to his member firm from his previous firm by creating and submitting to his previous firm Advisor of Record Change Letters containing forged signatures of customers. The findings stated that Hyatt falsely represented to his firm that he had spoken with each client and received their written authorization for the transfer prior to submitting the letters. Hyatt's actions caused his previous firm to create and maintain inaccurate books and records.

The suspension is in effect from April 18, 2016, through November 17, 2016 ([FINRA Case #2014040629101](#))

Jeffrey Scott Ingros ([CRD #2091822](#), Beaver, Pennsylvania) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ingros consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony during its investigation into allegations against him, including that he accepted undisclosed loans from customers and engaged in outside business activities. ([FINRA Case #2013039166001](#))

Kevin Joseph Kuhlow ([CRD #1993792](#), Los Gatos, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kuhlow consented to the sanction and to the entry of findings that he refused to produce FINRA with requested documents and information, and appear for on-the-record testimony in connection with its investigation into the allegations reported on his Form U5 that he had violated his member firm's policies by directing clients to an unapproved investment. ([FINRA Case #2016048430801](#))

Michael Paul Lessard Jr. ([CRD #5968857](#), Rock Hill, South Carolina) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Lessard consented to the sanctions and to the entry of findings that he forged a customer's name on a fixed annuity application and falsified his member firm's customer contact log. The findings stated that about three weeks after Lessard's customer signed a fixed annuity application, Lessard realized that he had failed to submit the customer's application for processing within the required timeframe and the application had since expired. Lessard then generated a new application and proceeded to forge the customer's signature by tracing it onto the new application. Lessard then entered false information on the firm's customer contact log. Lessard's entry indicated that he spoke with the customer on a certain date regarding the fixed annuity application. However, that activity did not occur on that date, but instead occurred weeks prior. That later date is the date on which Lessard forged the new application and submitted it to the carrier. Lessard also caused his firm's books and records to be inaccurate.

The suspension is in effect from April 4, 2016, through August 3, 2016. ([FINRA Case #2014042703401](#))

Daniel Kahhong Liang ([CRD #3162355](#), Arcadia, California) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for seven months. Without admitting or denying the findings, Liang consented to the sanctions and to the entry of findings that he falsified personal documents for the benefit of customers at the bank affiliate of his member firm, where Liang was dually employed. The findings stated that Liang also prompted firm customers to sign blank or incomplete mutual fund disclosure and investment acknowledgement forms, which he maintained in his files while registered with the firm.

The suspension is in effect from April 4, 2016, through November 3, 2016. ([FINRA Case #2014043578901](#))

Aldo Nestor Marchena ([CRD #3130213](#), Boca Raton, Florida) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Marchena consented to the sanctions and to the entry of findings that he engaged in an outside business activity without providing prior written notice to and receiving approval from his member firm. The findings stated that Marchena orally requested his firm's permission to refer customers to his limited liability company for business consulting services and for referrals from the company for brokerage services, which his firm denied. Marchena did not tell the firm of his continued involvement with the company. Marchena also made inaccurate statements on annual firm questionnaires regarding outside business activities and denied participating in any outside business activity on his Form U4.

The suspension is in effect from April 4, 2016, through September 3, 2016. ([FINRA Case #2014040769401](#))

Cinthia Elizabeth Marquez ([CRD #6183962](#), North Miami Beach, Florida) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Marquez consented to the sanctions and to the entry of findings that she served as corporate secretary and director for a private company without disclosing such participation to, or receiving approval for such participation from, her member firm. The findings stated that Marquez falsely stated to her firm in an annual compliance questionnaire that she was not involved in any outside business activities.

The suspension is in effect from March 7, 2016, through June 6, 2016. ([FINRA Case #2015044618501](#))

Kenneth Lynn Miller ([CRD #5659109](#), Greeneville, Tennessee) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Miller consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of its investigation into allegations that he misappropriated the funds of retail bank customers. ([FINRA Case #2016049098001](#))

Alicia Marie Moe ([CRD #5788907](#), Encino, California) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Moe consented to the sanction and to the entry of findings that she refused to provide FINRA with information and appear for on-the-record testimony during its investigation into the possible conversion of customer funds reported on her Form U5. ([FINRA Case #2016048717201](#))

Kelsey Marie Molyet ([CRD #5695243](#), Indianapolis, Indiana) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Molyet consented to the sanction and to the entry of findings that she falsified documents, including checks and account statements, and provided them to her member firm's customers and their agents with the intent to deceive them about their account balances. The findings stated that Molyet made written misrepresentations to customers and their agents regarding the value of their accounts and the execution status of certain requested transactions. The findings also stated that Molyet impersonated a customer during telephone calls with third parties. The findings also included that Molyet falsely asserted, in response to a FINRA information request, that she did not alter documents before sending them to customers and their agents. ([FINRA Case #2014042183301](#))

Robert Collins Noe ([CRD #717780](#), Vero Beach, Florida) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Noe consented to the sanctions and to the entry of findings that he signed a customer's name on an annuity withdrawal form in order to help effectuate a bona fide annuity withdrawal on the customer's behalf. The findings stated that the customer authorized a withdrawal from an annuity that she held. Noe signed the customer's name, dated the withdrawal form and submitted it to his member firm for processing. The firm had a WSP prohibiting its registrants from signing documents on behalf of customers, even in cases where doing so would accommodate the customer. By signing the annuity withdrawal form for the customer and submitting the form to the firm for processing, Noe caused the firm to maintain inaccurate books and records.

The suspension is in effect from March 21, 2016, through May 20, 2016. ([FINRA Case #2015044995001](#))

Edwin Braulio Pereira de Andrade ([CRD #4665068](#), Mobile, Alabama) submitted an AWC in which he was assessed a deferred fine of \$10,000, suspended from association with any FINRA member in any capacity for eight months, and required to provide a legally binding document to a customer evidencing the customer's 40 percent ownership interest in a restaurant in which Pereira de Andrade is the owner. In the alternative, Pereira de Andrade may elect instead to refund to the customer her original investment of \$150,250, plus interest. Without admitting or denying the findings, Pereira de Andrade consented to the sanctions and to the entry of findings that he solicited an investment of \$150,250 from a former customer of his member firm as startup capital for a new business venture to start up and then operate a restaurant. The findings stated that Pereira de Andrade and the customer orally agreed that the customer would invest in the business in exchange for an ownership interest. After receiving the money from the customer, however, Pereira de Andrade failed, without reasonable excuse or justification, to provide her the documented ownership interest in the business as promised. The findings also stated that Pereira de Andrade failed to disclose to the firm his involvement in outside business activities.

The suspension is in effect from March 21, 2016, through November 20, 2016. ([FINRA Case #2014040677401](#))

Angelo Perri ([CRD #6419125](#), Baltimore, Maryland) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Perri consented to the sanctions and to the entry of findings that he failed to disclose to his member firm his contemporaneous employment at another company. The findings stated that unbeknownst to the firm, Perri never resigned from his previous employer—a payroll-management company—and continued to work for, and receive compensation from, the company until his termination from his firm. The findings also stated that Perri made false statement to the firm when he completed the firm’s annual certification in which he falsely represented that he had reported all outside business activities to the firm.

The suspension is in effect from March 21, 2016, through May 20, 2016. ([FINRA Case #2015044462701](#))

Harold Joseph Petro ([CRD #864270](#), Greenwood, Indiana) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Petro consented to the sanctions and to the entry of findings that he exercised discretion over his customers’ accounts and made multiple trades in the shares of his member firm’s parent company without written authorization. The findings stated that the customers did not provide Petro with explicit instructions to place those trades, but had verbally granted Petro discretionary trading authority in their accounts. The WSPs at Petro’s member firm, however, required the customer’s written authorization and firm approval before a representative could exercise discretion in a customer account. At the time of the trading at issue, the firm did not allow its representatives to solicit trades in the stock of its parent company. The findings also stated that Petro marked the order tickets for trades in the firm’s parent company as unsolicited, when in fact his customers had not initiated those trades. By mismarking order tickets as unsolicited, Petro caused his firm to keep inaccurate books and records.

The suspension is in effect from March 7, 2016, through September 6, 2016. ([FINRA Case #2014040640101](#))

Henry Porter ([CRD #6088102](#), New York, New York) submitted an AWC in he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Porter consented to the sanction and to the entry of findings that he refused to provide FINRA with information and appear for on-the-record testimony during the course of its investigation into Porter’s alleged submission of personal travel expenses as business expenses. ([FINRA Case #2015046816601](#))

Steven Douglas Ridgley ([CRD #4263203](#), Louisville, Kentucky) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Ridgley consented to the sanctions and to the entry of findings that he exercised discretion in effecting hundreds of securities transactions in customer accounts, without obtaining his customers' prior written authorization or his member firm's prior written approval to exercise discretion in these accounts.

The suspension is in effect from April 18, 2016, through June 17, 2016. ([FINRA Case #2014043025703](#))

Timothy Michael Rigby ([CRD #848277](#), Atlanta, Georgia) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 15 business days. Without admitting or denying the allegations, Rigby consented to the sanctions and to the entry of findings that he failed to take reasonable steps to adequately review and follow up on flagged trades prior to approving them. The findings stated that although Rigby spoke with the registered representative who executed these trades, which were sets of mutual fund switch transactions, Rigby failed to contact any of the registered representative's customers to inquire about the reasons for the switch transactions, or to ensure that the customers understood the consequences of the switch transactions, including the additional charges associated with switching from one fund family to another, despite the presence of multiple switch transactions concentrated in customer accounts. Rigby also failed to obtain any switch letters for the transactions, which are required for all switches from one mutual fund family to another mutual fund family. Rigby failed to question the fact that most of the referenced transactions were marked as unsolicited, despite his belief that the transactions likely were solicited by the registered representative. Rigby did not notice that the majority of the registered representative's trades were marked as unsolicited and failed to discuss this issue with the registered representative to determine whether the designation was accurate and whether additional follow up was necessary on his part to adequately supervise the registered representative's mutual fund switching in these customer accounts.

The suspension was in effect from March 21, 2016, through April 11, 2016. ([FINRA Case #2014040668201](#))

Jeffrey E. Rodgers ([CRD #4965478](#), Bend, Oregon) submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for two years. In light of Rodgers' financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, Rodgers consented to the sanction and to the entry of findings that he accepted loans totaling \$33,800 from a customer who held a brokerage account with his member firm, in contravention of the firm's written procedures. The findings stated Rodgers neither sought nor obtained the firm's approval

to accept the loan from the customer. The findings also stated that Rodgers engaged in unapproved outside business activities by working for an information technology and business consultancy company. Rodgers received compensation in connection with these activities but failed to provide written notice to his firm prior to participating in this business. The findings also included that Rodgers inaccurately represented to his firm on annual compliance questionnaires that he had not borrowed money from a client and that he was not currently engaged in any outside business interests or affiliations that required disclosure. Rodgers failed to fully comply with FINRA requests to provide certain documents, information and testimony.

The suspension is in effect from April 4, 2016, through April 3, 2018. ([FINRA Case #2013036836801](#))

Kent A. Salcedo ([CRD #5732061](#), Honolulu, Hawaii) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Salcedo consented to the sanctions and to the entry of findings that he engaged in altering multiple documents by copying, cutting, and pasting at least five customers' signatures on various member firm forms and documents without the customers' knowledge, authorization or consent. The findings stated that the altered forms and documents included account update forms, suitability forms, mutual fund acknowledgment forms, fund transfer forms and product applications. Salcedo submitted the altered forms and documents to his firm for processing, which caused the firm's books and records to be inaccurate.

The suspension is in effect from April 4, 2016, through October 3, 2016. ([FINRA Case #2015046862401](#))

Marsha Lou Samuels ([CRD #2496851](#), Petaluma, California) submitted an AWC in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Samuels consented to the sanctions and to the entry of findings that she accepted personal loans totaling \$121,000 from a customer, without disclosing to or receiving approval from her member firm.

The suspension is in effect from April 4, 2016, through August 3, 2016. ([FINRA Case #2015043999001](#))

Thomas Paul Schober ([CRD #1058291](#), Rumson, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Schober consented to the sanction and to the entry of findings that he recommended unsuitable annuity exchanges in the accounts of two senior customers. The findings stated that the victims of Schober's unsuitable recommendations maintained separate brokerage accounts with Schober at his member firm. One of the customers held power of attorney for the other, who suffers from dementia. Both customers were

conservative investors with limited financial means who relied on the income from their investments. Schober effected the annuity exchanges in the customers' accounts and designed these exchanges to benefit him at the customers' expense. All of the annuities that Schober exchanged were still in the surrender period. Consequently, the customers paid total surrender charges of approximately \$154,642 to sell their annuities. Additionally, the customers paid sales charges of approximately \$69,000, of which Schober received approximately \$65,000 in commissions, and incurred new surrender periods in connection with their annuity purchases. Further, the annuities that Schober exchanged offered comparable income benefits for the customers. Schober never disclosed the amount of the surrender charges they would incur to sell their annuities, Nor did he explain the sales charges associated with the purchase of the new annuities or that they would be subject to new surrender periods. Schober effected the annuity exchanges without having a reasonable basis to believe that such purchases and sales were suitable for the customers in view of the nature, frequency, and size of the transactions and costs to the customers, including the significant surrender charges associated with the trades. The annuity switches provided little or no new economic benefit to the customers while providing Schober with the new commissions. The findings also stated that Schober attempted to conceal the unsuitable annuity exchanges by providing false information concerning the source of funds on the annuity transaction documents he submitted to the firm and annuity companies. ([FINRA Case #2015044007001](#))

Jerry Allen Schutte ([CRD #416042](#), Grand Haven, Michigan) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Schutte consented to the sanctions and to the entry of findings that he participated in a \$150,000 private securities transaction by entering into an equity participation agreement and a corresponding promissory note with a customer without providing prior written notice to his member firm.

The suspension is in effect from April 18, 2016, through July 17, 2016. ([FINRA Case #2014043714701](#))

John L. Shockey ([CRD #4500774](#), Shreveport, Louisiana) submitted an AWC in which he was assessed a deferred fine of \$15,000, suspended from association with any FINRA member in any capacity for one year and ordered to pay deferred disgorgement in the amount of \$70,070, plus interest. Without admitting or denying the findings, Shockey consented to the sanctions and to the entry of findings that he participated in private securities transactions without providing written notice to his member firm prior to participating in the transactions. The findings stated that Shockey facilitated sales of shares of a company to individuals by selling them shares he owned or by referring clients directly to the company to purchase shares. Shockey participated in private securities transactions with individuals, some of whom were firm customers, who purchased shares of the company for approximately \$633,750. The findings also stated that Shockey participated in the sale

of unregistered securities in contravention of Section 5 of the Securities Act of 1933. At the time of the transactions, the shares of the company were not registered and no exemption from registration applied.

The suspension is in effect from April 4, 2016, through April 3, 2017. ([FINRA Case #2014040642701](#))

Lance E. Slater ([CRD #1191942](#), Marlton, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Slater consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information during the course of its investigation into allegations that he accepted a loan from a customer. ([FINRA Case #2015047739501](#))

Brian David Smit ([CRD #5767978](#), Sioux Falls, South Dakota) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Smit consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony related to allegations that he participated in an unapproved private securities transaction. ([FINRA Case #2015046720601](#))

Christopher Thomas Tolmecs ([CRD #4648724](#), Scotts, Michigan) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Tolmecs consented to the sanction and to the entry of findings that he failed to fully respond to FINRA requests for documents and information, and refused to appear for the continuation of his on-the-record testimony during the course of an ongoing FINRA investigation related to whether he had entered into lending arrangements with several of his customers through the issuance of promissory notes, and assessing whether those arrangements violated FINRA rules, whether Tolmecs made materially misleading statements and omissions in connection with those arrangements, and whether Tolmecs converted customer funds. ([FINRA Case #2016048966301](#))

Emanuel Vinea ([CRD #4718757](#), New York, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vinea consented to the sanction and to the entry of findings that he failed to provide FINRA with documents and information, and failed to appear for on-the-record testimony in connection with its investigation into allegations that he participated in undisclosed outside business activities and private securities transactions while associated with a member firm. ([FINRA Case #2015045183002](#))

Derrick Timothy Watts ([CRD #2479608](#), North Aurora, Illinois) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for three months. In light of Watts' financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Watts consented to the sanction and to the

entry of findings that he failed to timely report unsatisfied civil judgments on his Form U4.

The suspension is in effect from April 18, 2016, through July 17, 2016. ([FINRA Case #2015046767801](#))

Lacey Jayne Wickline ([CRD #5848823](#), Tampa, Florida) submitted an AWC in which she was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Wickline consented to the sanctions and to the entry of findings that she effected unauthorized mutual fund trades in a customer's account totaling approximately \$100,000. The findings stated that Wickline caused her member firm to create and maintain inaccurate books and records by falsely representing in its client interaction notes system that she obtained the customer's prior authorization to effect the transactions in her account, when she did not.

The suspension is in effect from March 7, 2016, through June 6, 2016. ([FINRA Case #2014041513501](#))

Roy Alvin Williams Sr. ([CRD #1069297](#), Stratford, Connecticut) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Williams consented to the sanctions and to the entry of findings that he utilized an outside email address to send securities-related emails without informing his member firm. The findings stated that as a result, securities-related emails were not captured or retained by Williams' firm. Williams sent an email related to a customer's investment from an outside email address to his supervisor with the stated intention of avoiding FINRA oversight. As a result of his conduct, Williams caused his firm to fail to maintain books and records.

The suspension was in effect from April 18, 2016, through May 6, 2016. ([FINRA Case #2014040335501](#))

Individuals Fined

Thomas C. Fox Sr. ([CRD #5754783](#), Lake Bluff, Illinois) submitted an AWC in which he was fined \$5,000. Without admitting or denying the findings, Fox consented to the sanction and to the entry of findings that while associated or registered with a member firm, he purchased shares in initial public offerings (IPOs) in a disclosed personal brokerage account he held at another firm. The findings stated that Fox sold the IPO shares at a loss. ([FINRA Case #2015046860201](#))

Timothy Michael Horan ([CRD #1084638](#), Old Bridge, New Jersey) submitted an AWC in which he was censured, fined \$10,000 and ordered to disgorge \$9,037.50, plus interest. Without admitting or denying the findings, Horan consented to the sanctions and to the entry of findings that while registered with two member firms, he purchased shares in IPOs in a disclosed personal brokerage account he held at another firm. The findings

stated that Horan earned a total profit of \$9,037.50 on the IPO transactions. ([FINRA Case #2015046949201](#))

David Jeffrey Robin (CRD #856656, Maplewood, New Jersey) submitted an AWC in which he was fined \$5,000 and ordered to disgorge \$3,820, plus interest. Without admitting or denying the findings, Robin consented to the sanctions and to the entry of findings that while associated with a member firm, he purchased shares of a stock during its IPO in a disclosed personal brokerage account at another firm. The opening price of the stock in the immediate aftermarket resulted in a \$3,820 imputed profit to Robin. ([FINRA Case #2014042573201](#))

Decision Issued

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

David Joseph Escarcega (CRD #4367584, Phoenix, Arizona) was fined \$52,270, plus prejudgment interest, and barred from association with any FINRA member in any capacity. The sanctions were based on findings that Escarcega intentionally or recklessly made materially false oral and written misrepresentations or omissions to customers in connection with the sales of renewable secured debentures issued by a company. The findings stated that Escarcega did not have any basis to tell his customers that the debentures were guaranteed or safe when the prospectus was replete with warnings about their high risk as an investment. As a result of his conduct, Escarcega willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and FINRA Rules 2010 and 2020. The findings also stated that Escarcega made unsuitable recommendations to 12 customers by failing to take into account their overall financial situations and needs. The debentures were high-risk securities suitable only for investors with sufficient financial resources who could afford to lose their entire investment. The 12 customers were not such investors. The findings also included that Escarcega caused his firm to make and preserve inaccurate books and records. Escarcega failed to disclose on a customer's account documents that the purchase of more than \$100,000 in debentures was a product switch. Escarcega also generated account forms that falsely inflated a couple's net worth. The alternative charge that Escarcega violated FINRA Rule 2010 by making misrepresentations about the debentures was dismissed. In addition, FINRA did not prove by preponderance of the evidence that Escarcega violated FINRA's advertising rules by distributing misleading sales literature; therefore this charge was dismissed.

This matter has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2012034936005](#))

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.

BrokerBank Securities, Inc. ([CRD #130116](#), Minnetonka, Minnesota) and Philip Paul Wright ([CRD #2453688](#), Eden Prairie, Minnesota) were named respondents in a FINRA complaint alleging that the firm, acting through Wright, issued misleading press releases which referenced research reports on specific companies, falsely implied that the firm was the author of the research and, in some instances, falsely implied that the firm was recommending securities covered in the research report. The complaint alleges that the firm merely acted as a conduit for a non-registered entity, which paid the firm a fee to submit the press releases to a newswire service. The firm fronted for the non-registered entity because the newswire service would only accept press releases from a registered broker-dealer or from the covered companies themselves. Some of the press releases failed to disclose that the firm was being paid to issue the press release. In other instances, the press releases and accompanying research reports were misleading because they omitted material negative information about the covered companies, specifically that they were subject to "going concern" qualifications by their auditors. The firm and Wright knew or should have known that readers would believe that the firm was the author of the press releases and the research analyst reports, or was recommending securities covered in the analyst reports.

The complaint also alleges that the firm did not have any policies or procedures to ensure the press releases complied with NASD and FINRA rules. Neither the firm's supervisory system nor its written policies and procedures addressed this business line. Wright was responsible for ensuring that the firm had adequate written procedures and an adequate supervisory system to address all business lines in which the firm engaged. Wright failed to establish such written policies or supervisory system relating to the press releases. ([FINRA Case #2014041087701](#))

Further Lane Securities, L.P. ([CRD #38162](#), New York, New York), Joseph Michael Araiz ([CRD #1278925](#), New York, New York) and James Gabriel Collard ([CRD #2812378](#), Boerne, Texas) were named respondents in a FINRA complaint alleging that the firm and Collard charged excessive markups in corporate bond transactions with customers. The complaint alleges that the firm and Collard sold corporate bonds to customers at prices that were not fair, taking into consideration all relevant circumstances, including market conditions with respect to such securities at the time of the transactions, the expenses involved, that the firm was entitled to a profit, and the other relevant factors. The complaint also alleges that

the firm and Araiz, its CCO and CEO, failed to establish, maintain and enforce a reasonably designed supervisory system, including WSPs, to supervise the firm's business of buying and selling corporate bonds to customers, and to supervise the activities of its registered representatives and associated persons. The firm's supervisory system and procedures, including its WSPs, failed to provide reasonable steps to ensure that when conducting supervisory reviews of fixed income transactions, its markups were not excessive. The firm's procedures were also not reasonably tailored to the firm and Collard's practices with respect to charging markups in bond transactions. The firm and Araiz failed to establish any exception reports or automated surveillance programs to monitor for excessive markups. Instead, the firm's supervisory system for excessive markups was based solely on inadequate manual reviews. Araiz's manual review of Collard's transactions was flawed in that he failed to review and detect that the firm was effectively marking up transactions twice. In conducting his review of the firm's blotters, Araiz failed to determine and consider the total markup that Collard charged, even though he knew that each trade included one markup from the trader to Collard and a second markup from Collard to the customer. As the firm's sole owner, Araiz profited from the excessive markups that Collard charged. ([FINRA Case #2012034242501](#))

Montecito Advisors, Inc. ([CRD #104004](#), Santa Barbara, California) was named a respondent in a FINRA complaint alleging that it had an inadequate AML compliance program. The complaint alleges that the firm failed to establish and implement policies, procedures, and internal controls that were reasonably expected to detect and cause the reporting of suspicious transactions under the Bank Secrecy Act. As a result, the firm either failed to identify or ignored red flags involving numerous instances of potentially suspicious activities, and failed to investigate and report suspicious activities, as necessary, in accordance with the requirements of the Bank Secrecy Act and the implementing regulations thereunder. The firm's written AML procedures were not adequately enforced as it relates to its penny stock business. Although the firm listed specific red flags in its AML procedures that applied to penny stock liquidation and questionable customer backgrounds, it failed to have an adequate system to monitor for either of them, and failed to adequately respond to those red flags when they were present. 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's supervisory system was not specifically tailored to its business because it failed to adequately address, including in its WSPs, the prime brokerage business, which comprised the vast majority of its revenues. The firm also failed to detect or respond to red flags related to violations of Rule 105 of Regulation M of the Securities Exchange Act of 1934. In addition, there were not any WSPs that addressed due diligence on its penny stock business, and there were not any procedures relating to the implementation of a Deposit Securities Request Questionnaire. The complaint further alleges that the firm failed to comply with its books and records obligations in connection with its prime brokerage business by failing to keep copies of certain communications it sent to its clearing firm, in willful violation of Securities Exchange Act of 1934 Rule 17a-4(b)(4). ([FINRA Case #2010023750101](#))

Edward Beyn ([CRD #5406273](#), Dix Hills, New York) was named a respondent in a FINRA complaint alleging that he excessively traded and churned customers' accounts. The complaint alleges that Beyn aggressively traded his customers' accounts without regard to the suitability of his recommended trading. While some of Beyn's customers listed "speculative" as the investment objective on new account forms, Beyn traded actively even in instances when his customers did not identify on new account forms that they had a speculative investment objective. Beyn used a short-term trading strategy in the customers' accounts as a means to turn over the accounts quickly and generate outsize commissions for himself and his member firm. To do this, Beyn relied heavily on buying and selling equities of companies releasing their earnings reports as a catalyst for excessively trading accounts. Based on the level of trading and commissions charged, there was little to no possibility that the customers would profit from such trading. The churning and excessive trading in the customers' accounts resulted in high annualized turnover rates. Beyn made the recommendations for the customers' accounts, and the overwhelming majority of the trades in the customers' accounts were marked solicited. As a result of his conduct, Beyn willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and FINRA Rules 2010 and 2020. The complaint also alleges that the trading in the customers' accounts was excessive, as evidenced by the high turnover rates and cost-to-equity ratios, and inconsistent with the customers' investment objectives and financial situations. Beyn did not have reasonable grounds or a reasonable basis to believe that the recommended transactions were suitable for the customers in light of their investment objectives and financial situations. The customers did not question Beyn's trading strategies and were not fully aware of the nature of trading in their accounts. The trading was executed at such a volume and pace that it was difficult for the customers to follow the activity, despite receiving confirmations and monthly statements. The complaint further alleges that Beyn recommended ETN transactions to a customer. Beyn's recommendations lacked reasonable grounds for believing that these risky and speculative securities were suitable for the customer, and that the customer understood and was willing to assume the risks particular to these securities. ([FINRA Case #2015044823502](#))

Jay Christopher Hatton ([CRD #1725472](#), Indianapolis, Indiana) was named a respondent in a FINRA complaint alleging that he willfully failed to timely update his Form U4 to disclose felony charges, a felony plea, an unsatisfied civil judgment and a federal tax lien. The complaint alleges that Hatton made material misrepresentations and failed to disclose material information to his member firm on annual questionnaires by falsely representing that he did not have any outstanding judgments or liens, and asserting that his Form U4 was not inaccurate or incomplete in any material respect. The complaint also alleges that after FINRA initiated an investigation into his conduct, Hatton failed to appear for on-the-record testimony. ([FINRA Case #2014040661801](#))

Howard Brian Landers ([CRD #1233612](#), Miami, Florida) was named a respondent in a FINRA complaint alleging that he willfully failed to timely amend his Form U4 to disclose approximately \$375,704 in unsatisfied IRS tax liens that were filed against him, and

willfully failed to timely amend his Form U4 to disclose an unsatisfied default judgment for fraudulent inducement that was entered against him in Florida state court. ([FINRA Case #2013035298602](#))

David Randall Lockey ([CRD #3095863](#), Carrollton, Texas) was named a respondent in a FINRA complaint alleging that he recommended and engaged in a pattern of unsuitable short-term trading of open-end mutual funds (OMFs), closed-end funds (CEFs) and/or UITs in customer accounts. The complaint alleges that Lockey's improper trading activities in the customer accounts generated gross compensation of \$75,729.88 for Lockey and his member firm. Three of the customers suffered collective trading losses totaling \$15,699.38. Lockey made the recommendations to buy and sell the OMFs, CEFs, and/or UITs without having reasonable grounds for believing that such recommendations were suitable for the customers in view of the nature and frequency of the transactions, and based upon the facts known to him regarding the customers' investment objectives. As a result, the pattern of short-term trading and switching of the OMF, CEF and/or UIT securities was unsuitable for all the customers. Given the nature of the long-term investments, Lockey's short-term trading and switching was unsuitable for any customer.

The complaint also alleges that Lockey falsified his firm's switch forms and caused the firm to maintain inaccurate books and records. Lockey falsified the date of purchase of certain OMF, CEF and/or UIT securities that he traded in customer accounts, making it appear that the securities had been held longer than they actually had been. The switch forms completed by Lockey for transactions executed in the customers' accounts contained an inaccurate original purchase date for investments that Lockey had recommended in the customer accounts when the accounts were held at Lockey's prior member firm, and subsequently short-term traded when the accounts were transferred to the new firm. ([FINRA Case #2013034954001](#))

Arthur Mansourian ([CRD #5252154](#), Sherman Oaks, California), **Trevor Michael Saliba** ([CRD #2692057](#), Beverly Hills, California), **Richard Daniel Tabizon II** ([CRD #2601208](#), Rosemead, California) and **Sperry Randall Younger** ([CRD #2771029](#), Middletown, New York) were named respondents in a FINRA complaint alleging that Saliba, by acting as a principal and/or supervisor, caused his member firm to violate interim restrictions FINRA had placed on it shortly after it filed a Continuing Membership Application. The restrictions included Saliba acting in any principal and/or supervisory capacity. The complaint alleges that Saliba immediately began violating the interim restrictions by signing numerous engagement agreements obligating the firm to provide investment banking services for clients, hiring Younger as the firm's CEO, hiring or participating in hiring other firm personnel, and reviewing Tabizon's outside brokerage account statements. The complaint also alleges that Saliba made misrepresentations and failed to cooperate with FINRA during his on-the-record testimony, and made misrepresentations and failed to provide a complete response to a FINRA Rule 8210 request. The complaint further alleges that Saliba submitted false and misleading memos to FINRA. In addition, the complaint alleges that Younger

made misrepresentations to FINRA by providing false testimony regarding backdated memoranda. Moreover, the complaint alleges that at Saliba and Tabizon's direction, Mansourian emailed firm registered representatives from his personal email account and instructed the individuals to backdate forms and return them. After receiving backdated forms from recipients of Mansourian's email, Tabizon produced these forms to FINRA without revealing that they had been backdated. These actions were done in such a way so as to avoid detection and deceive FINRA.

Furthermore, the complaint alleges that Saliba, Tabizon, and Mansourian caused the firm to maintain inaccurate books and records. Saliba he knew or should have known that memos the firm maintained were false. Tabizon used his personal email account for firm-related business communications; and at Saliba and Tabizon's direction, Mansourian also used his personal email account for firm-related business communications. The firm failed to maintain and preserve these emails Tabizon and Mansourian sent and received. The complaint also alleges that Younger failed to establish and maintain a reasonable supervisory system, including written procedures, and failed to reasonably supervise Saliba, Tabizon and Mansourian. ([FINRA Case #2013037522501](#))

Kenneth Joseph Mathieson ([CRD #1730324](#), Franklin Lakes, New Jersey) was named a respondent in a FINRA complaint alleging that he participated in private securities transactions by investing \$96,550 in a company's stock for himself and his children without providing written notice to, and receiving prior approval from, his member firm. The complaint alleges that Mathieson also participated in the sale of shares in the company's stock to other investors without providing written notice to, or receiving written permission from, his firm for his participation in the purchase and sale of the company's securities. The complaint also alleges that Mathieson engaged in an unapproved outside business activity by participating in the management of the company, helping manage the company's relations with investors and advising the company's board of directors and CEO on a broad range of business and strategic matters. Mathieson did not provide prior written notice to the firm or obtain its approval to engage in such activities. The complaint further alleges that in the alternative, Mathieson continued to participate in the company's business after the firm denied his request to do so and he was instructed to discontinue providing service to it. In addition, the complaint alleges that Mathieson provided false certifications in a firm compliance questionnaire regarding his participation in outside business activities and private securities transactions. ([FINRA Case #2014040876001](#))

Dennis Mark Adam Merritt ([CRD #1748115](#), Palm Harbor, Florida) was named a respondent in a FINRA complaint alleging that he participated in private securities transactions in which his customers invested a total of \$115,000 in a speculative investment. The complaint alleges that Merritt did not provide written notice to his member firm prior to participating in these private securities transactions. Merritt recommended that his customers invest in the speculative investment without having conducted adequate due diligence on it and without a reasonable basis to believe that an investment in it was

suitable for any customer. The complaint also alleges that Merritt falsely represented in an annual certification to his firm that he was complying with its policy prohibiting representatives from participating in private securities transactions. ([FINRA Case #2013036962201](#))

Mary Delores Negro ([CRD #1373087](#), Manchester, Connecticut) was named a respondent in a FINRA complaint alleging that she willfully failed to disclose on her Form U4, and willfully failed to timely amend her Form U4 to disclose, federal tax liens filed against her by the IRS. ([FINRA Case #2014040813801](#))

Richard Allen Riemer Jr. ([CRD #1721245](#), Clifton, New Jersey) was named a respondent in a FINRA complaint alleging that he willfully failed to timely amend his Form U4 to disclose a federal tax lien and a Chapter 13 bankruptcy petition he filed, and willfully failed to disclose a second federal tax lien. The complaint alleges that Riemer falsely represented to his member firm in annual representative certifications that he did not have any unsatisfied judgments or liens against him. Riemer also completed and submitted an annual representative certification in which he falsely stated that he had not filed for bankruptcy since the completion of his last annual certification form. ([FINRA Case #2013038986001](#))

Firms Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

Ditto Trade, Inc (CRD #151915)
Chicago, Illinois
(March 4, 2016)
FINRA Case #2014039218101

Merrimac Corporate Securities, Inc. (CRD #35463)
Altamonte Spring, Florida
(March 22, 2016)
FINRA Case #2009017195204

The Dratel Group, Inc. (CRD #8049)
Southold, New York
(March 22, 2016)
FINRA Case #2009016317701

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

Talented Tenth Investments Inc. (CRD #30863)
New York, New York
(March 22, 2016)

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.)

Steven Angelo Aguilar (CRD #6125908)
Denver, Colorado
(March 3, 2016)
FINRA Case #2015046415601

Randy Lamar Alford (CRD #2135500)
Conway, South Carolina
(March 17, 2016)
FINRA Case #2015047322101

Jeffrey Alan Bond (CRD #6117196)
Point Pleasant, New Jersey
(March 4, 2016)
FINRA Case #2014041954001

Kenneth Martin Dlouhy (CRD #2205015)
Hackettstown, New Jersey
(March 14, 2016)
FINRA Cases
#2015046904301/20140435477

Michael Winston Hefner (CRD #4624063)
Bixby, Oklahoma
(March 21, 2016)
FINRA Case #2015047585301

Kristal Lee Johnson (CRD #5458328)
Union City, Michigan
(March 17, 2016)
FINRA Case #2015047328501

Roy Edward Jones (CRD #2270251)
Glenview, Illinois
(March 3, 2016)
FINRA Case #2015046856701

Kayla Arlene Paul-Lindsey (CRD #4661542)
Brandon, Mississippi
(March 25, 2016)
FINRA Case #2015045836501

Valinda Kay Turner (CRD #4923853)
Boyne Falls, Michigan
(March 28, 2016)
FINRA Case #2015046799101

Kenya Julissa Zavala (CRD #5643968)
Shirley, New York
(March 21, 2016)
FINRA Case #2015046901401

Individuals 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.)

William Marshall Dratel (CRD #843025)
Southold, New York
(March 22, 2016)
FINRA Case #2009016317701

Thomas Marion Phillips II (CRD #2289018)
Powell, Ohio
(March 22, 2016)
FINRA Case #2014039231201

Michael Anthony Pino (CRD #1400156)
Plainwell, Michigan
(March 22, 2016)
FINRA Case #2010021621201

Jordon Scott Trice (CRD #5500091)
Reno, Nevada
(March 22, 2016)
FINRA Case #2012030670603

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.)

Gordon W. Adamson (CRD #4608530)
Mooresville, Indiana
(March 17, 2016)
FINRA Case #2015047915301

Stephen R. Anders (CRD #5776082)
Rockville, Maryland
(March 14, 2016)
FINRA Case #2015046615801

Alex Ernesto Batlle (CRD #2124129)
San Mateo, California
(March 17, 2016)
FINRA Case #2015047755401

James Frederick Brennan (CRD #821647)
San Marino, California
(March 17, 2016)
FINRA Case #2015044328701

Christopher David Campbell (CRD #6263450)
Acworth, Georgia
(March 28, 2016)
FINRA Case #2015046975801

Ruben Emilio Cardenas (CRD #5588441)
Shady Shores, Texas
(March 14, 2016)
FINRA Case #2015047717301

Jessica Alyssa Diaz (CRD #6074544)
Phoenixville, Pennsylvania
(March 17, 2016)
FINRA Case #2015047894601

David Glenn Gott (CRD #1915608)
Tipton, Iowa
(March 14, 2016)
FINRA Case #2015047392001

Ronald Fred Hanson (CRD #236517)
Lyndhurst, Ohio
(March 7, 2016)
FINRA Case #2015044710301

Daniel Helkowski III (CRD #2862593)
Sewickley, Pennsylvania
(March 14, 2016)
FINRA Case #2015047245301

Li-Lin Hsu (CRD #4706509)
Diamond Bar, California
(March 24, 2016)
FINRA Case #2015045016702

Jose Alberto Huerta (CRD #6190114)
Salt Lake City, Utah
(March 17, 2016)
FINRA Case #2015046323201

Adrian Jablonski (CRD #5745344)
Garden City, New York
(March 3, 2016)
FINRA Case #2015047016601

Sean Francis Lanci (CRD #4180997)
Bronx, New York
(December 28, 2015 – March 8, 2016)
FINRA Case #2015046443301

Quyen Chi Loong (CRD #4231102)
Rosemead, California
(March 3, 2016)
FINRA Case #2015046813901

**Elizabeth Grimaneza Looper
(CRD #5534490)**
Wonder Lake, Illinois
(March 17, 2016)
FINRA Case #2015047703101

Calvin Edward Moores (CRD #1009137)
Brea, California
(March 31, 2016)
FINRA Case #2015047356601

Justin L. Norris (CRD #5180300)
Tucson, Arizona
(March 17, 2016)
FINRA Case #2015046303901

Rafael Angel Ortiz (CRD #2534166)
Kissimmee, Florida
(March 17, 2016)
FINRA Case #2015047805901

Natalia Pesin (CRD #4507718)
Staten Island, New York
(March 14, 2016)
FINRA Case #2015047313201

Linda A. Rapp (CRD #6302949)
Seekonk, Massachusetts
(March 14, 2016)
FINRA Case #2015047188401

Virgil Queano Santos Jr. (CRD #1135964)
Cerritos, California
(March 25, 2016)
FINRA Case #2015046573401

John M. Sayre (CRD #6305789)
Indianapolis, Indiana
(March 14, 2016)
FINRA Case #2015046882101

Brian Edward Shamash (CRD #6062586)
Gurnee, Illinois
(March 14, 2016)
FINRA Case #2015047070101

Keith Everett Sorrentino (CRD #4169531)
Bayonne, New Jersey
(March 3, 2016)
FINRA Case #2015045911701

Michael John Tordone (CRD #2624326)
San Clemente, California
(March 21, 2016)
FINRA Case #2014041468601

David Scott Whitesel (CRD #6053500)
Columbus, Ohio
(March 14, 2016)
FINRA Case #2015046882001

David Lee Willis (CRD #3175087)
El Paso, Texas
(March 14, 2016)
FINRA Case #2015047053501

Eugene Harold Wray (CRD #4640909)
Council Bluffs, Iowa
(March 17, 2016)
FINRA Case #2015047949901

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

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

Dmitry Borochin (CRD #2381256)
Brooklyn, New York
(March 21, 2016)
FINRA Arbitration Case #15-00495

Randy Lee Bostick (CRD #2944482)
Jupiter, Florida
(March 23, 2016)
FINRA Arbitration Case #15-00252

Jinesh Pravin Brahmabhatt (CRD #2491299)
Potomac, Maryland
(March 22, 2016)
FINRA Arbitration Case #13-01867/
ARB150048/2015047219401

Thomas Andrew Buckley (CRD #2644443)
Katonah, New York
(March 21, 2016)
FINRA Arbitration Case #14-01879

Robert Chan (CRD #4478074)
Yorba Linda, California
(October 27, 2015 – March 3, 2016)
FINRA Arbitration Case #14-00832

Rodney Clyde Cochran (CRD #4543208)
Grand Prairie, Texas
(March 21, 2016)
FINRA Arbitration Case #14-02943

Kenneth Alan Comstock (CRD #2288478)
Elkhart, Texas
(March 21, 2016)
FINRA Arbitration Case #15-00683

Jaime Xavier Coronado (CRD #4001702)
Friendswood, Texas
(March 23, 2016)
FINRA Arbitration Case #13-01147

Brandon Matthew Cortez (CRD #4875744)
McKinney, Texas
(March 22, 2016)
FINRA Arbitration Case #14-00146

Canela Nicole Greenwood (CRD #4944150)
Boca Raton, Florida
(March 21, 2016)
FINRA Arbitration Case #14-02703

Michael Dennis Hampton (CRD #4349202)
Citrus Heights, California
(March 16, 2016)
FINRA Arbitration Case #15-02041

Osi Trevor Isaacs (CRD #2724629)
Brooklyn, New York
(March 22, 2016)
FINRA Arbitration Case #12-02866

Karen Suzanne Kane (CRD #2332138)
Carmel, Indiana
(March 23, 2016)
FINRA Arbitration Case #14-03165

Aric Ellis Kent (CRD #2907676)
Yucaipa, California
(March 23, 2016)
FINRA Arbitration Case #12-04040

Jacob Steven Kracht Russo (CRD #3193997)
Bayville, New York
(March 30, 2016)
FINRA Arbitration Case #15-00562

Michael Van Lynch (CRD #3167788)
Southlake, Texas
(March 22, 2016)
FINRA Arbitration Case #14-00309

Rhonda Janeen Matthews (CRD #2327925)

Wimberley, Texas
(March 23, 2016)
FINRA Arbitration Case #15-01070

Geoffrey Weber Murvin (CRD #2452060)

Maitland, Florida
(March 16, 2016)
FINRA Arbitration Case #15-01897

Thomas Wayne Ottman (CRD #1010394)

Blaine, Minnesota
(December 3, 2015 – March 8, 2016)
FINRA Arbitration Case #14-01955

Markel Dashiell Petty (CRD #5217356)

Santa Monica, California
(March 22, 2016)
FINRA Arbitration Case #14-00309

Arra Poghossian (CRD #2800245)

Goodyear, Arizona
(July 17, 2015 – March 24, 2016)
FINRA Arbitration Case #10-04841

Travis Sherwood Shannon (CRD #2302453)

Santa Barbara, California
(March 30, 2016)
FINRA Arbitration Case #13-02751

Gregory Alan Townes (CRD #2601302)

Clermont, Florida
(March 1, 2016)
FINRA Arbitration Case #14-03684

Kristin A. Tuchman (CRD #4052373)

Sanford, North Carolina
(March 16, 2016)
FINRA Arbitration Case #15-01539

FINRA and Nasdaq Fine Wedbush Securities Inc. \$675,000 For Supervisory Violations Relating to Chronic Fails to Deliver by a Client in Multiple Exchange-Traded Funds

FINRA and The Nasdaq Stock Market LLC (Nasdaq) jointly censured and fined [Wedbush Securities Inc.](#) \$675,000 for supervisory violations in connection with its handling of a client's redemption activity and trading of leveraged ETFs that led to chronic fails to deliver in several ETFs for over two years.

Wedbush served as the clearing firm for its broker-dealer customer, Scout Trading, LLC, and acted as an Authorized Participant of various ETFs. This enabled Wedbush to submit redemption/creation orders on Scout Trading's behalf and on behalf of its other clients. From January 2010 to March 2012, Scout Trading routinely submitted "naked" redemption orders in ETFs to Wedbush, meaning Scout Trading was insufficiently long in the ETF shares comprising the redemption orders. During the review period, Scout Trading submitted at least 255 naked redemption orders through Wedbush in 11 ETFs, totaling over 295 million shares. This naked redemption activity, along with short selling of the ETFs on the secondary market by Scout Trading, resulted in substantial, repeated fails to deliver by Wedbush. Scout Trading submitted creation orders, used to create new shares of the ETFs, through Wedbush to close out the fails to deliver; however, Scout Trading, shortly thereafter, submitted further naked redemption orders, or engaged in additional secondary market selling activity in the ETFs, through or with the assistance of Wedbush, that led to fails to deliver redeveloping at Wedbush. This pattern of naked redemption orders followed by creation orders resulted in persistent and sustained fails to deliver at Wedbush, and was profitable but impermissible.

Wedbush repeatedly effectuated Scout Trading's ETF orders without first ascertaining whether Scout Trading owned, or had full legal and beneficial right to tender for redemption, the requisite number of ETF shares associated with its orders, contrary to its obligations as an Authorized Participant, and without taking sufficient follow-up actions concerning Scout Trading's systemic and cyclical fails to deliver. As such, Wedbush failed to observe high standards of commercial honor and just and equitable principles of trade, and failed to meet its supervisory obligations to ensure that its activities as an Authorized Participant, including its processing of ETF orders, complied with applicable securities laws and regulations.

Thomas Gira, FINRA Executive Vice President and Head of Market Regulation, said, "Timely delivery of securities is a critical component of sales activity in the markets, particularly in ETFs that rely on the creation and redemption process. Naked trading strategies that result in a pattern of systemic and recurring fails flout such principle and do not comply with Regulation SHO. Authorized Participants and their broker-dealer clients need to have adequate supervisory procedures and controls in place to ensure that they are properly redeeming and creating shares of ETFs."

John Zecca, Senior Vice President of Market Regulation for Nasdaq's U.S. Markets, continued, "Authorized Participants, as gatekeepers and conduits to the primary ETF markets, play vital roles in ensuring they carry out their obligations consistent with applicable securities laws and do not become a vehicle for misconduct. We will continue to monitor firms for adherence to Regulation SHO and adequate supervisory systems to ensure such compliance."

In concluding [this settlement](#), Wedbush neither admitted nor denied the charges, but consented to the entry of FINRA's findings. Scout Trading, which was a member of Nasdaq but not FINRA, was the subject of a separate Nasdaq disciplinary proceeding on April 7, 2015, in which it consented, without admitting or denying the charges, to the entry of findings by Nasdaq that Scout Trading violated Rule 204 of Regulation SHO and Nasdaq's requirements that pertain to supervision and just and equitable principles of trade. That settlement resulted in a censure and \$3 million fine against Scout Trading, a former Nasdaq member.