Disciplinary and Other FINRA Actions

Firm Expelled, Individual Sanctioned

SMF Trading, Inc. dba World-Xecution Strategies (CRD® #134645, New York, New York) and Simon Librati (CRD #4155156, Montreal, Quebec, Canada)
August 29, 2018 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was expelled from FINRA® membership and Librati was suspended from association with any FINRA member in all capacities for two years. Without admitting or denying the findings, the firm and Librati consented to the sanctions and to the entry of findings that Librati partially owned and controlled two foreign unregistered proprietary trading firms that operated as trading funds (Fund A and Fund B) and engaged in trading activity that included market manipulation and fraud, including layering and spoofing, on multiple markets. The findings stated that Fund A and Fund B cleared their trades and/or were provided market access through registered broker-dealers. Fund A and Fund B generated substantial revenues for Librati and his partners, and a portion of these revenues resulted from transactions involving layering and spoofing, including transactions not detected by the surveillance system at a broker-dealer they created to ensure continued marker access for the funds. Fund A and Fund B profited by retaining between 10 and 15 percent of net revenues from their trading, including the portion from layering. Although the total amount has not been quantified, Fund A and Fund B kept any unpaid profits from traders terminated due to suspicious trading. Librati and his partners also profited through ownership of the broker-dealer they created, which introduced and executed Fund A and Fund B's trades. World-Xecution Strategies also profited from transactions executed by Fund A, including those involving layering, through commissions, fees and rebates. Thus, when relationships ended between unaffiliated broker-dealers and Fund A or the firm, Librati and his partners established relationships with other registered broker-dealers and created their own firm, to ensure continued market access for the funds. Librati directed that certain steps be taken to address Fund A's and Fund B's layering, but his efforts focused on individual instances of layering by individual traders. Librati directed that individual traders be terminated and substantially shrank the business transacted, but he never otherwise changed Fund A's or Fund B's business models or took action to prevent their manipulative activity. Librati directly or indirectly controlled Fund A and Fund B while fund traders engaged in layering in varying degrees for years. Accordingly, Librati is liable as a controlling person for Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5(a) and (c) thereunder. Librati's conduct was willful. Librati controlled World-Xecution Strategies, which knowingly or recklessly rendered substantial assistance to, and thereby aided and abetted, Fund A's and Fund B's

Reported for October 2018

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).

violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5 and Section 17(a)(3) of the Securities Act of 1933. The findings also stated that the World-Xecution Strategies took limited steps to give the appearance of preventing layering by certain Fund A and Fund B traders, but those steps were ineffective. The firm terminated individual traders rather than the accounts as a whole, even though the traders had no ownership interests in the accounts. In addition, since Librati and his partners purchased World-Xecution Strategies in order to introduce Fund A's order flow, and they and the firm's executives owned Fund A and the firm, their subordinates at the firm could not realistically terminate Fund A as an account. World-Xecution Strategies failed to establish, maintain and enforce supervisory systems, including written procedures and separate systems of follow-up and review reasonably designed to detect and prevent manipulative trading activity and fraud, including by affiliates, Fund A and Fund B. The firm's surveillance practices and exception reports were deficient and certain employees with compliance responsibilities were unfamiliar with its written supervisory procedures (WSPs), which were also deficient, and the firm ignored multiple red flags. The built-in conflicts of interest, deficiencies in the firm's exception reports and inadequate WSPs allowed it to continue facilitating the manipulative activity. World-Xecution Strategies lacked exception reports to monitor for manipulative activity other than deficient wash sale reports it received from a broker-dealer, which were the only reports that the broker-dealer provided to it. World-Xecution Strategies lacked written procedures outlining steps for reviewing the exception reports, and lacked uniformity in selection criteria or in a method of conducting reviews. The individuals responsible for reviewing exception reports did not receive any training on how to review the reports and World-Xecution Strategies failed to follow its own procedures for conducting due diligence investigations on new traders at Fund A.

The suspension is in effect from September 4, 2018, through September 3, 2020. (**FINRA Case #2012031480722**)

Firms Fined

EBH Securities, Inc. (CRD #36592, Indianapolis, Indiana)
August 2, 2018 – An AWC was issued in which the firm was censured and fined $7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to provide notice that it was below certain net capital related levels and also failed to suspend its business operations while below those levels. The findings stated that the firm regularly lent funds on a short-term, unsecured basis to its affiliate, which was in the business of providing cash advances to individuals who had pending personal injury claims with immediate cash needs. The firm would ultimately be repaid when the personal injury settlements were finalized. This business practice caused the firm's savings account to be depleted in the beginning and middle parts of the month, and then replenished near the end of the month, when cash was returned to the savings account by the affiliate. As a result of its actions, the firm fell below its required minimum

net capital amount on nine occasions, and on another nine occasions fell below its net capital warning level. The occasions lasted between one day and two weeks. At no time did the firm file a notification with the Securities and Exchange Commission (SEC) and FINRA that the firm was net capital deficient or below its net capital warning level. The findings also stated that one occasion, the firm also failed to maintain its minimum net capital of not less than $5,000 while continuing to conduct its securities business. The firm came into compliance with its minimum net capital requirement shortly thereafter, through a capital contribution to the firm. According to the firm, its net capital violations resulted from its failure to recognize that it was obligated to maintain its minimum net capital amount on a continuous and ongoing moment to moment basis, rather than merely at the end of each month. The findings also included that the firm failed to prepare accurate trial balances, general ledgers and net capital computations. This resulted from the firm's improper accrual and calculation of its accounts receivable and accounts payable. Specifically, the firm understated its accounts receivable, which caused the firm's Financial and Operational Combined Uniform Single Reports (FOCUS) to be inaccurate. (**FINRA Case #2017052414401**)

Seven Points Capital, LLC (CRD #144211, New York, New York)
August 3, 2018 – An AWC was issued 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 develop and implement an anti-money laundering (AML) program that was reasonably designed to achieve and monitor compliance with the Bank Secrecy Act and implementing regulations promulgated thereunder. The findings stated that the firm's AML procedures stated that it would monitor for suspicious activity through the receipt and review of exception reports provided by its clearing firm. However, the firm had no exception reports that tracked the deposit and liquidation of low-priced securities. Instead, in practice, the firm's system for reviewing this trading activity was to conduct a manual review of daily trade blotters. Given the high volume of the low-priced securities transactions being conducted by customers, this manual review was not reasonably designed to detect patterns of potentially suspicious activity that might occur over the course of days, weeks or months. The findings also stated that the firm failed to detect the customers' activities as potentially suspicious, despite numerous red flags such as the deposit and liquidation of billions of shares of low-priced securities, regulatory inquiries concerning the trading in certain low-priced stocks and stocks being traded contemporaneous with online stock promotion campaigns. (**FINRA Case #2014039400901**)

The Oak Ridge Financial Services Group, Inc. (CRD #42941, Golden Valley, Minnesota)
August 8, 2018 – An AWC was issued in which the firm was censured, fined $17,500, ordered to pay $4,956.25, plus interest, in restitution to customers and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that when trading for its own account, it sold or bought corporate bonds to or from customers and failed to sell or 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. 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. While the firm's WSPs provided that a designated firm official was responsible for conducting daily reviews of all executed transactions, they failed to describe the supervisory steps or reviews to be conducted by that individual to ensure compliance with the fair pricing requirements set forth in FINRA Rule 2121. The findings also stated that the WSPs did not state how the daily reviews were to be documented. As a consequence, the firm's supervisory system, including its WSPs, were not reasonably designed to achieve compliance with FINRA rules. (**FINRA Case #2016052229401**)

Nomura Securities International, Inc. (CRD #4297, New York, New York)
August 9, 2018 – An AWC was issued in which the firm was censured and fined $875,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it incorrectly calculated its proprietary accounts of broker-dealers (PAB) reserve computation, resulting in a shortfall in the firm's PAB reserve account. The findings stated that the shortfall resulted in part from the firm's failure to adequately prepare for the amendments to Rule 15c3-3 of the Securities Exchange Act of 1934. The firm consulted the Options Clearing Corporation Collateral in Margins memo report in preparing its computation, when it should have consulted the Options Clearing Corporation Collateral in Margins memo and Stock Loan Reconciliation report. This error caused the firm to apply the wrong debit amount, thereby understating the required sum of its reserve. The firm also comingled, in its Options Clearing Corporation account, its own proprietary trading activity with that of an affiliated broker-dealer. Due to this comingling, the firm could not distinguish the amount of the margin requirement specifically related to the broker-dealer affiliate's trading activity and, therefore, could not determine the amount allowable as a debit in the PAB reserve computation. The firm thus took as a debit the entire amount of trading activity, rather than taking a debit equal only to the broker-dealer affiliate's trading activity. In addition, the firm incorrectly coded some customer accounts belonging to the broker-dealer affiliate and a foreign affiliate as PAB accounts. As a result of miscoding these accounts, the firm overstated its credits in the PAB reserve computation, which further contributed to inaccuracies in the firm's PAB reserve computation. For instance, at one point, FINRA found a $111 million deficiency in the firm's PAB reserve account. The findings also stated that the firm failed to establish, maintain and enforce a supervisory system that was reasonably designed to ensure that it properly calculated its PAB reserve computation and could prevent and detect any errors in that computation. The firm also failed to have a reasonably designed supervisory system in place to ensure that it properly coded certain accounts as either customer accounts or PAB accounts. The findings also included that the firm's failure to properly calculate the PAB reserve computation resulted in inaccuracies in its books and records. (**FINRA Case #2016049864301**)

Buttonwood Partners, Inc. (CRD #27108, Madison, Wisconsin)
August 20, 2018 – An AWC was issued 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 findings, 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 reasonably designed to review and monitor the transmittals of funds from customer accounts to third-party accounts. The findings stated that as a result, a firm customer's funds were fraudulently transferred out of her account after her email was hacked. The firm had customers who utilized a bill payment service whereby regular fund transfers were made by it from the customers' securities accounts to pay invoices from third parties. For transfers involving $100,000 or more, the firm's clearing firm required a Letter of Authorization (LOA) signed by the customer. The firm's customer notified her registered representative that the firm should expect her to request fund transfers in the near future from her trust account. However, the amount of the withdrawals and the accounts where the funds would be transferred were not discussed. Later, the customer called the firm and requested a wire transfer for $569,700.53 to a title company. The firm used a pre-signed, but otherwise blank, LOA form from the customer's file to process the transfer. The firm photocopied the pre-signed LOA form, completed the form and then processed the wire transfer to the title company. Within the next few days, the customer's email account was hacked and the third party wires were fraudulently requested via the customer's hacked email account. When the subsequent wire requests were received over the course of the next week, the firm did not contact the customer to confirm each request. Instead, it used the pre-signed LOA form it had on file. A total of $207,300 was wired out of the customer's account, as directed by the fraudulent emails, to accounts controlled by the hacker. In addition to receiving a wire request for $61,300, which the firm processed, a second wire request for a $205,710 transfer to a company in Malaysia was received. The firm became suspicious of this request and called the customer to confirm. Upon reaching the customer by telephone, the fraud was discovered. Thereafter, the firm and its clearing firm were able to retrieve all but $61,932.35 of the previously wired funds. The firm reimbursed this remaining amount to the customer and self-reported the violations to FINRA. The findings also stated that the firm had no WSPs for addressing the transmittal of customers' funds to third-party accounts based on a request via email or other electronic communication. The firm's system was unreasonable because it allowed firm personnel to copy pre-signed, blank LOA forms as the only means of recording the customer's authorization of each funds transfer, with no requirement for a customer confirmation, notification or follow-up for each transfer. (**FINRA Case #2015045144001**)

Morgan Stanley & Co. LLC (CRD #8209, New York, New York)
August 23, 2018 – An AWC was issued in which the firm was censured, fined $1,100,000, of which $280,000 is payable to FINRA, required to address the market access rule deficiencies described in the AWC and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the 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 to establish, document and maintain a system of risk-management controls and supervisory procedures, including WSPs and an adequate system of follow-up and review, reasonably designed to manage the financial, regulatory and other risks of its market access business. The findings stated that the firm failed to establish risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceeded pre-set credit thresholds on a customer basis for its Institutional Equities Division (IED) market access clients whose order flow was classified as high-touch, and instead relied on an overall firm credit limit. Additionally, the firm failed to have any automated pre-trade soft or hard-blocks to prevent the submission of orders that breached its aggregate capital limit as applied to the IED high-touch market access clients. Instead, the firm's system generated alerts that required manual intervention in order to prevent orders from accessing the market. Under this alert system, designated IED personnel received notice of escalating alerts when IED's collective high-touch orders and executions reached certain escalated percentages of the pre-set aggregate limit. Such designated personnel were responsible for monitoring these alerts in real-time and determining whether and when to manually prevent the entry of additional orders. Because there was no automated control, an order was only prevented from accessing the market if such personnel manually implemented a hard-block. As such, the alerts would not impede the submission of orders unless they prompted IED personnel to halt an order, and thus the firm did not satisfy Securities Exchange Act Rule 15c3-5's requirement that pre-trade controls be automated. The firm amended its procedures by establishing customer-specific aggregate credit limits for IED high-touch market access clients, in addition to IED's aggregate limit. At that time, however, the firm did not establish its customer-specific aggregate credit limits based on the financial characteristics of the market access client. While the firm has since implemented additional changes, including employing automated hard blocks, there are still certain circumstances in which an order in excess of the client's credit limit could access the market. The findings also stated that although the firm implemented WSPs pertaining to the establishment and amendment of credit limits for IED high-touch market access clients, these WSPs were not reasonably designed to achieve compliance with the Securities Exchange Act rule. The procedures did not set forth the process of how the credit limits were to be monitored or how to address the reset of credit limits after a temporary intraday change. (**FINRA Case #2012034623903**)

World Equity Group, Inc. (CRD #29087, Arlington Heights, Illinois)
August 23, 2018 – An AWC was issued in which the firm was censured, fined $100,000, ordered to pay a total not less than $380,000 in restitution to eligible customers and required to retain an independent consultant to conduct a comprehensive review of the adequacy of its policies, systems and procedures (written and otherwise) and training relating to variable annuity transactions, including purchases and exchanges. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system and

WSPs reasonably designed to ensure that representatives' recommendations of variable annuities complied with applicable securities laws and regulations, and FINRA rules. The findings stated that the firm failed to have a supervisory system, including WSPs, reasonably designed to ensure that representatives and reviewing principals complied with FINRA Rule 2330. While the firm had registered principals responsible for reviewing and approving variable annuity purchases and exchanges, the primary review and approval was the responsibility of one principal for the firm's representatives. The principal had no prior experience supervising the sale of variable annuities and the firm failed to provide adequate training or tools to the principal to assist in his review of variable annuity transactions. In addition, the firm had no procedures to ensure its principals were considering suitability issues related to share class selection, including whether the sale of an L-share contract was suitable when combined with a long-term rider, or being sold to a customer with a long-term investment time horizon. The firm's failure to have these procedures was unreasonable given the substantial volume of variable annuity sales, particularly L-share contracts, at the firm. As a result of the firm's supervisory deficiencies, it failed to identify the pattern of red flags presented by the sale of L-share variable annuities with long-term riders and failed to investigate the suitability of these potentially incompatible recommendations. (**FINRA Case #2015043641901**)

Electronic Transaction Clearing, Inc. (CRD #146122, Los Angeles, California)
August 29, 2018 – An AWC was issued in which the firm was censured and fined $450,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system reasonably designed to achieve compliance with its Order Audit Trail System (OATS™) reporting obligations. The findings stated that the firm's supervisory deficiencies allowed OATS reporting violations to occur without detection, and also contributed to its failure to timely correct or address deficiencies once identified. Further, the firm failed to enforce its WSPs concerning OATS reporting. Specifically, the firm's supervisory system failed to compare accepted OATS data to its books and records to ensure all reportable order events (ROEs) were submitted in a timely manner, failed to ensure that rejected ROEs were properly repaired, resubmitted to and accepted by OATS and failed to conduct a representative periodic sampling of its OATS reports to ensure its submissions were accurate. The firm failed to enforce its WSPs, which specified that any exceptions identified by its OATS reviews would be brought to the attention of the chief compliance officer for appropriate action. Although the firm identified some exceptions through its OATS reviews pertaining to certain rejected and late ROEs, it failed to take appropriate action to resolve the exceptions in a timely manner. In addition, while its WSPs stated that the firm would evidence reviews by initialing and dating printouts of the reporting summaries, OATS case logs and monthly report cards, the documentation provided by the firm did not contain such evidence. The findings also stated that the firm failed to submit, untimely submitted, or inaccurately submitted billions of ROEs over a four-year period. Notably, the firm failed to submit to OATS more than 3.1 billion route reports related to a single

customer, which represented routes back to the exchange that received the order following the customer's modification of an order. Due to the firm's lack of reasonable supervision, its OATS violations went undetected until the issue was identified by FINRA. (**FINRA Case #2015046569001**)

Firm Sanctioned

Thrivent Investment Management, Inc. (CRD #18387, Minneapolis, Minnesota)
August 9, 2018 – An AWC was issued in which the firm was censured and required to provide FINRA with a plan to remediate eligible customers who qualified for, and did not receive, the applicable mutual fund sales-charge waivers or available breakpoint discounts. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise mutual fund sales to ensure that eligible customers received the benefit of applicable sales charge waivers and breakpoint discounts. The findings stated that the firm sells proprietary and non-proprietary mutual funds with different classes of shares representing interests in the same portfolio of securities, but differing in the structure and amount of both sales charges paid directly by shareholders and continuous, asset-based fees assessed on each shareholder's investment. Many mutual funds waive the up-front sales charges associated with Class A shares, Class I shares, Class S shares and Class R shares for certain retirement plans, institutions and/or charitable organizations. Some of the mutual funds available on the firm's retail platform offered such waivers and disclosed those waivers in their prospectuses. Notwithstanding the availability of the waivers, the firm failed to apply the waivers to mutual fund purchases made by eligible customers and instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. The findings also stated that the firm failed to apply available breakpoint discounts for small retirement plans or certain customers who transacted directly with non-proprietary mutual fund companies. These sales disadvantaged eligible customers by causing them to pay higher fees than they were actually required to pay. The findings also included that the firm failed to reasonably supervise the application of sales charge waivers and available breakpoint discounts to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales charge waivers and breakpoint discounts, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. For instance, the firm failed to establish and maintain reasonable written procedures to identify applicable sales charge waivers in fund prospectuses for eligible customers. FINRA found that the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales charge waivers and breakpoint discounts for eligible customers. FINRA also found that the firm failed to adopt adequate controls to detect instances in which the firm did not provide sales charge waivers and available breakpoint discounts to eligible customers in connection with their mutual fund purchases. (**FINRA Case #2016049975701**)

Individuals Barred

Bernard G. McGee (CRD #1203327, Cazenovia, New York)
August 7, 2018 – A United States Court of Appeals for the Second Circuit Summary Order became final in which McGee was barred from association with any FINRA member in all capacities and ordered to pay $237,643.25, plus interest, in restitution to a customer. The U.S Court of Appeals for the Second Circuit denied McGee's petition for review following appeal of an SEC decision. The sanction was based on findings that McGee willfully failed to inform a customer of the more than $59,000 in commissions that he received in connection with the customer's purchase of a charitable gift annuity. The findings stated that McGee made an unsuitable recommendation to the customer when he proposed the customer surrender variable annuities and purchase the charitable gift annuity. As a result of this conduct, McGee willfully violated of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and FINRA Rules 2010 and 2020. The findings also stated that McGee engaged in undisclosed outside business activities, failed to timely update his Uniform Application for Securities Industry Registration or Transfer (Form U4) and made misrepresentations on his member firm's annual compliance questionnaires. (**FINRA Case #2012034389202**)

Alex Gerardo Herrera (CRD #3204779, Miami, Florida)
August 8, 2018 – An AWC was issued in which Herrera was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Herrera consented to the sanction and to the entry of findings that he refused to provide information requested by FINRA in connection with its investigation into his possible participation in unreported outside business activities and private securities transactions. (**FINRA Case #2018058446601**)

Pamela Shuttleworth (CRD #5222380, Washington, District of Columbia)
August 8, 2018 – An AWC was issued in which Shuttleworth was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Shuttleworth consented to the sanction and to the entry of findings that she refused to provide on-the-record testimony requested by FINRA in connection with its investigation into a former registered representative at Shuttleworth's member firm. The findings stated that Shuttleworth was one of the persons responsible for reviewing, for supervisory purposes, broker emails for the firm, including those of the former representative at issue in the investigation. (**FINRA Case #2017053619901**)

Andrew Jason Mandell (CRD #2194970, Oakland, California)
August 20, 2018 – An AWC was issued in which Mandell was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Mandell consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony in connection with potential violations of Section 5 of the Securities Act of 1933. (**FINRA Case #2017052907901**)

Charla Cynthia Kabana (CRD #1453982, Huntington Beach, California)
August 21, 2018 – An AWC was issued in which Kabana was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Kabana consented to the sanction and to the entry of findings that she failed to provide documents and information requested by FINRA in connection with its investigation into the reasons for her termination from her member firm that included her practices in respect to variable annuity business and related responses to compliance. The findings stated that Kabana also refused to appear for FINRA requested on-the-record testimony. (**FINRA Case #2016050951001**)

Daniel Noah Winger (CRD #1542674, Bonney Lake, Washington)
August 28, 2018 – An AWC was issued in which Winger was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Winger consented to the sanction and to the entry of findings that he converted the funds of an elderly customer of his member firm for his own personal use. The findings stated that the elderly customer gave checks to Winger totaling approximately $100,000. The customer understood that the checks were to be used for her benefit, including paying commissions associated with her brokerage account and for taxes. Winger, however, endorsed the checks, deposited them into a separate bank account and used the funds for his own personal use. (**FINRA Case #2018059559101**)

Maurice Elyezer Bensoussan (CRD #5581873, Le Vésinet, France)
August 29, 2018 – An AWC was issued in which Bensoussan was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Bensoussan consented to the sanction and to the entry of findings that he partially owned, and directly or indirectly controlled, two unregistered proprietary trading firms, Fund A and Fund B, which engaged in trading activity that included market manipulation and fraud, including layering and spoofing, on multiple markets. The findings stated that Bensoussan partially owned and controlled his member firm that introduced Fund A's and Fund B's order flow, and formed with his partner another registered broker-dealer that, along with his firm, introduced or executed Fund A's and Fund B's trades. Bensoussan was indirectly involved in the development of a trade surveillance system at the broker-dealer he helped to form. Fund A and Fund B generated substantial revenues for Bensoussan and his partners. A portion of these revenues resulted from transactions that involved layering and spoofing, including transactions that were not detected by the surveillance system at the broker-dealer. Fund A and Fund B profited by retaining between 10 and 15 percent of net revenues from their trading, including the portion from layering, and Bensoussan and his partners profited as owners of the funds. Although the total amount has not been quantified, Fund A and Fund B kept any unpaid profits from traders who had been terminated due to suspicious trading. Bensoussan's firm also profited from transactions executed by Fund A, including those involving layering, through commissions, fees and rebates. Bensoussan and his partners also profited through ownership of their

broker-dealer that introduced and executed the funds' trades. When relationships ended between unaffiliated broker-dealers and Fund A or Bensoussan's firm, he and his partners established relationships with other registered broker-dealers and created their own broker-dealer to ensure continued market access for Fund A and Fund B. Bensoussan directed that certain steps be taken to address the funds' layering, but his efforts focused on individual instances of layering by individual traders. Bensoussan directed that individual traders be terminated and substantially shrank the business transacted, but he never otherwise changed the funds' business model or took action to prevent their manipulative activity. The findings also stated that Bensoussan is liable as a controlling person for Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of Securities the Exchange Act of 1934, and Rule 10b-5(a) and (c) thereunder. Bensoussan's conduct was willful. While controlled by Bensoussan, Fund A and Fund B also violated Section 17(a)(3) of the Securities Act of 1933. (**FINRA Case #2012031480701**)

Individuals Suspended

Ethan De Naray (CRD #4571532, Minnetonka, Minnesota)
August 3, 2018 – An AWC was issued in which De Naray was fined $5,000 and suspended from association with any FINRA member in all capacities for one month. Without admitting or denying the findings, De Naray consented to the sanctions and to the entry of findings that he effected discretionary transactions in two accounts of a customer without obtaining prior written authorization from the customer and without his member firm having accepted the accounts as discretionary. The findings stated that De Naray mismarked order tickets as unsolicited when, in fact, the trades memorialized by the order tickets were solicited and, as a result, he caused his firm's books and records to be inaccurate.

The suspension was in effect from September 4, 2018, through October 3, 2018. (**FINRA Case #2017053586401**)

Frank Thomas Marino (CRD #1828290, Newport Beach, California)
August 3, 2018 – An AWC was issued in which Marino was assessed a deferred fine of $15,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Marino consented to the sanctions and to the entry of findings that he was responsible for the content of an investment-related website that did not comply with FINRA rules regarding communications with the public. The findings stated that Marino was part owner, chairman and chief executive officer of a company formed to manage pooled investments in businesses expected to benefit from the legalization of cannabis. Marino was also registered with two member firms, one of which served as the placement agent for a private placement that was raising capital for the company. The company marketed itself and attracted investors through a website for which Marino participated in creating, approved and published the content. The content

displayed on the website did not meet the standards for broker-dealer communications with the public as described in FINRA Rule 2210. The company's website, among other things, contained false and misleading references to the its registration status under the Investment Company Act of 1940, failed to include appropriate risk disclosure necessary to balance the discussion of the benefits of the company and included unwarranted suggestions of potential investment returns. The website also inaccurately characterized the company as a conglomerate, made unwarranted claims about further federal or state legalization of cannabis and made unwarranted statements regarding the liquidity of the company's securities. FINRA expressed to Marino its concerns about the content on the company's website, and Marino revised the content to FINRA's requirements. Prior to these revisions, the website had been viewable for approximately five months and had received thousands of views. The company raised $970,000, $305,000 of which was raised through the private placement offering for which Marino's firm served as placement agent.

The suspension is in effect from August 6, 2018, through February 5, 2019. (**FINRA Case #2015045590301**)

Darnell Kenneth Mote (CRD #6089505, Jacksonville, Florida)
August 3, 2018 – An AWC was issued in which Mote was fined $5,000 and suspended from association with any FINRA member in all capacities for 20 business days. Without admitting or denying the findings, Mote consented to the sanctions and to the entry of findings that he engaged in an outside business activity without providing prior written notice to his member firm.

The suspension was in effect from September 4, 2018, through October 1, 2018. (**FINRA Case #2015048372201**)

Patrick Jermaine Phillips (CRD #4315963, Blue Island, Illinois)
August 3, 2018 – An AWC was issued in which Phillips was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in all capacities for five months. Without admitting or denying the findings, Phillips consented to the sanctions and to the entry of findings that contrary to his member firm's WSPs, he accepted two loans totaling $70,000 from a customer and has not repaid them. The findings stated that the borrowed funds were withdrawn from the customer's checking account held at a third-party bank and that Phillips never disclosed these loans to his firm. The findings also stated that after Phillips associated with another firm, his customer moved her securities account to the new firm so that Phillips could remain her broker. The new firm's WSPs stated that all written communications sent to a single recipient, whether a client or member of the public, must be pre-approved by a supervisor prior to being sent. The firm strictly prohibited its registered representatives from using personal email addresses to conduct business. Phillips completed two annual compliance certifications, attesting that he had provided his supervisor or his/her delegate with copies of all communications for pre-approval. Phillips

also attested that he had not borrowed money from a current or former client. Phillips used his personal email account to correspond with both the customer and her son about such things as the status of the customer's accounts, their receipt of quarterly performance reports, or their periodic account meetings. Phillips also used his personal email account to correspond with the customer's son concerning Phillips' continued failure to repay the customer's outstanding loans.

The suspension is in effect from August 6, 2018, through January 5, 2019. (**FINRA Case #2017054796901**)

Roy Aurelio Gaytan (CRD #5498239, Moorpark, California)
August 7, 2018 – An AWC was issued in which Gaytan was assessed a deferred fine of $15,000 and suspended from association with any FINRA member in all capacities for eight months. Without admitting or denying the findings, Gaytan consented to the sanctions and to the entry of findings that he failed to notify his member firm of an account in which he used discretionary authority and the customer's login credentials to execute securities transactions in the customer's brokerage account at another firm. The findings stated that the Gaytan's firm discovered that he recommended that his customer, a former registered representative with the firm, establish a self-directed account with another firm. The customer then granted access to Gaytan, who executed trades using his discretion. After sustaining losses in the account, the customer complained to Gaytan's firm. When questioned during the resulting investigation, Gaytan admitted to executing discretionary trades in the account without providing disclosure to his firm or the other firm. As a result, the firm terminated Gaytan. Gaytan did not receive any compensation for the trading activity in the account. The findings also stated that Gaytan failed to timely respond to FINRA requests for information relating to the circumstances of his termination.

The suspension is in effect from August 20, 2018, through April 19, 2019. (**FINRA Case #2017054506902**)

Polizois Paul Katsaros (CRD #2526951, Bayville, New York)
August 9, 2018 – An AWC was issued in which Katsaros was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Katsaros consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose that he had been charged with, and pled guilty to, a felony. The findings stated that Katsaros was charged in the United States District Court for the Southern District of New York with one count of making false oaths and claims in a bankruptcy proceeding, a felony, to which he pled guilty the same day. Katsaros was required to amend his Form U4 within 10 days to reflect the felony charge and guilty plea, but failed to do so.

The suspension is in effect from August 20, 2018, through February 19, 2019. (**FINRA Case #2017055956501**)

Robert Edward White (CRD #3077959, East Hampton, New York)
August 10, 2018 – An AWC was issued in which White was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, White consented to the sanctions and to the entry of findings that he accepted a total of $58,000 in monetary gifts from a customer of his member firm. The findings stated that the firm had in place a policy prohibiting registered representatives from accepting monetary payments and/or gifts in excess of $100 per year from firm customers. White certified to his understanding of these firm policies on annual compliance questionnaires.

The suspension is in effect from August 20, 2018, through December 19, 2018. (**FINRA Case #2017054089101**)

Lloyd Thomas Layton (CRD #1618414, Dumfries, Virginia)
August 13, 2018 – An AWC was issued in which Layton was fined $5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Layton consented to the sanctions and to the entry of findings that he was engaged in an unsuitable pattern of short-term trading of unit investment trusts (UITs) in customer accounts. The findings stated that Layton repeatedly recommended that the customers purchase UITs and then sell these products well before their maturity dates. The majority of the UITs that Layton recommended had maturity dates of at least 24 months and carried sales charges ranging from 1.95 percent to 3.95 percent. Layton repeatedly recommended that his customers sell their UIT positions less than a year after purchase and the average holding period was approximately 265 days. The findings also stated that Layton recommended that his customers use the proceeds from the short-term sale of a UIT to purchase another UIT with similar or identical investment objectives. Layton's recommendations caused his customers to incur unnecessary sales charges, and were unsuitable in view of the frequency and cost of the transactions.

The suspension is in effect from September 17, 2018, through December 16, 2018. (**FINRA Case #2017055691701**)

Joseph Frederick Eschleman (CRD #3237843, Sacramento, California)
August 21, 2018 – An AWC was issued in which Eschleman was fined $5,000 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Eschleman consented to the sanctions and to the entry of findings that he exercised discretion in customer accounts without first obtaining either written authority from his customers or his member firm's acceptance of the accounts as discretionary. The findings stated that FINRA began its investigation when the firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5) terminating Eschleman's registration. FINRA's investigation found that Eschleman exercised discretion without written authority when he sold a security in the individual retirement account (IRA) of a customer in order to fund a required minimum distribution.

A day later, Eschleman again exercised discretion without written authority when he sold securities from a trust account maintained by the customer and his wife. Eschleman was given verbal authority to exercise discretion in these accounts.

The suspension was in effect from September 17, 2018, through September 28, 2018. (**FINRA Case #2017054395501**)

Akhil Morada (CRD #4859707, Miami, Florida)
August 21, 2018 – An AWC was issued in which Morada was assessed a deferred fine of $15,000, suspended from association with any FINRA member in all capacities for 12 months and ordered to pay $55,555.56, plus interest, in deferred restitution to customers. Without admitting or denying the findings, Morada consented to the sanctions and to the entry of findings that he engaged in quantitatively unsuitable trading in the accounts of customers. The findings stated that Morada recommended the trading in the customers' accounts and the customers followed his recommendations. Accordingly, Morada had de facto control over the customers' accounts. These accounts sustained a collective net loss of $55,555.56 (after accounting for certain factors, including partial restitution provided to the customers by Morada's member firm). The findings also stated that Morada exercised discretion in the customers' accounts without prior written authorization from those customers and without the firm having accepted in writing those accounts as discretionary.

The suspension is in effect from September 4, 2018, through September 3, 2019. (**FINRA Case #2016050114701**)

Raymond Adam Menna (CRD #1918097, Mount Sinai, New York)
August 22, 2018 – An AWC was issued in which Menna was fined $5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Menna consented to the sanctions and to the entry of findings that he improperly shared in the losses of a customer. The findings stated that the value of the account of one of Menna's customers declined to zero as a result of customer withdrawals and trading losses. Menna informed his customer that he would give the customer money on a monthly basis because the customer's account had declined in value to zero. Menna made monthly cash payments to the customer, and in total, paid the customer approximately $15,000. Menna did not obtain prior written authorization from his member firm or the customer to make such payments, nor had he or the firm financially contributed to the customer's brokerage account. The findings also stated that Menna provided misleading or inaccurate answers to his firm on compliance questionnaires. Menna inaccurately answered that he had not shared in any profits or losses in a customer's account on his firm's annual compliance questionnaires.

The suspension is in effect from September 17, 2018, through October 31, 2018. (**FINRA Case #2017056272101**)

Jonathan William Iraggi (CRD #5857254, Ocean, New Jersey)
August 23, 2018 – An AWC was issued in which Iraggi was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 30 days. Without admitting or denying the findings, Iraggi consented to the sanctions and to the entry of findings that he exercised discretion in customer accounts without obtaining written authorization from the customers or acceptance by his member firm. The findings stated that while the customers had given Iraggi express or implied authority to exercise discretion in their accounts, none of the customers had provided written authorization for Iraggi to utilize discretion. The findings also stated that Iraggi provided a false response on an annual compliance questionnaire submitted to his firm that indicated that he had not exercised discretion in any customer account.

The suspension was in effect from September 4, 2018, through October 3, 2018. (**FINRA Case #2017055128101**)

James Arthur Kujawski (CRD #2075543, Annapolis, Maryland)
August 23, 2018 – An AWC was issued in which Kujawski was fined $10,000, suspended from association with any FINRA member in all capacities for four months and ordered to pay $38,000, plus interest, in disgorgement of a portion of the financial benefits received. Without admitting or denying the findings, Kujawski consented to the sanctions and to the entry of findings that he engaged in a private securities transaction by facilitating the repurchase of a call option between two individuals, neither of whom were customers of Kujawski's member firm. The findings stated that one of the individuals requested that Kujawski help facilitate the repurchase of the option for a percentage of the sale price. Kujawski agreed, but did not disclose the arrangement to his firm or seek approval as required until many years later. Kujawski participated in the repurchase of the option by introducing a commercial lender to participate in the transaction, attending meetings with the parties, reviewing draft sale contracts and providing comments, and accepting $73,444.90 in compensation for his participation. The findings also stated that Kujawski never disclosed the purchase or sale of a restaurant to his firm, or sought approval for this outside business as required by the firm.

The suspension is in effect from September 17, 2018, through January 16, 2019. (**FINRA Case #2016049307701**)

Earle Clement Tingley (CRD #4444579, Winter Haven, Florida)
August 23, 2018 – An AWC was issued in which Tingley was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Tingley consented to the sanctions and to the entry of findings that he borrowed $35,000 from a customer without notifying or first seeking approval of his member firm. The findings stated that Tingley and the customer did not document the loan or the repayment terms; however, Tingley repaid the principal,

along with five percent annual interest prior to detection by his firm. The firm's WSPs only allowed registered representatives to borrow funds from immediate family members and only after first obtaining written approval from it. Tingley's customer was not a family member, and he did not seek approval from the firm. The findings also stated that Tingley submitted false annual attestations regarding borrowing from customers.

The suspension is in effect from September 4, 2018, through October 18, 2018. (**FINRA Case #2018058604201**)

Lisbeth Lovell Cherrington (CRD #1989135, Hilton Head, South Carolina)
August 24, 2018 – An AWC was issued in which Cherrington was fined $15,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Cherrington consented to the sanctions and to the entry of findings that she caused three member firms to maintain inaccurate books and records by willfully providing a false date of birth to the firms on various internal documents relating to her employment applications, personal brokerage accounts records and investments. The findings stated that when Cherrington became associated with her present firm, she filed a Form U4 using the false date of birth. Cherrington knew it was her responsibility to ensure that her Form U4 contained accurate information. However, the false date of birth was not corrected until the firm commenced an internal investigation and filed an amended Form U4. The findings also stated that Cherrington provided misleading information to the firm during the course of its internal investigation.

The suspension is in effect from September 17, 2018, through November 16, 2018. (**FINRA Case #2016051424001**)

Joshua Robert Jones (CRD #6154181, Marina Del Rey, California)
August 24, 2018 – An AWC was issued in which Jones was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Jones consented to the sanctions and to the entry of findings that he engaged in a check-kiting scheme, wherein he made three debits from his personal bank account totaling $6,334.63, without sufficient funds to cover the debits. The findings stated that Jones initiated two online transfers totaling $7,000 from his outside bank account to his personal bank account. Jones knew, or was reckless in not knowing, that the outside account from which he initiated the transfers was closed, and therefore contained insufficient funds to cover the transfers. Following these transfers, Jones withdrew $4,300 from his personal bank account though an automated teller machine (ATM) and wrote a check in the amount of $2,034.63. The findings also stated that the bank initially credited the transferred funds to his account but subsequently reversed the transfers because the outside account was closed. Jones repaid the outstanding amount that he owed to the bank. The findings also included that Jones

obtained unauthorized loans from the bank and was thereby engaged in check-kiting as a result of initiating transfers into his personal bank account with insufficient funds to cover the transfers and then immediately withdrawing the funds.

The suspension is in effect from September 04, 2018, through December 03, 2018. (**FINRA Case #2017055087401**)

Victoria Lucia DelloRusso (CRD #6491894, Troy, New York)
August 27, 2018 – An AWC was issued in which DelloRusso was suspended from association with any FINRA member in all capacities for 18 months. In light of DelloRusso's financial status, no monetary sanction was imposed. Without admitting or denying the findings, DelloRusso consented to the sanction and to the entry of findings that she possessed and had access to prohibited study materials during unscheduled breaks while taking the General Securities Representative (Series 7) licensing examination. The findings stated that prior to beginning the examination, DelloRusso attested that she had read and would abide by the FINRA Test Center Rules of Conduct that prohibited the use or possession of certain items, including study materials.

The suspension is in effect from September 4, 2018, through March 3, 2020. (**FINRA Case #2017055984801**)

David Woods Unsworth Jr. (CRD #1609040, Belvedere, California)
August 28, 2018 – An AWC was issued in which Unsworth was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 30 days. Without admitting or denying the findings, Unsworth consented to the sanctions and to the entry of findings that he failed to disclose to his member firm his participation in private securities transactions involving a private company engaged in cloud services. The findings stated that prior to joining the firm, Unsworth and his registered investment advisor firm had received shares of stock issued by the company as a commission for work he performed related to capital raises. The findings also stated that Unsworth sought to sell these shares to an existing investor in the company, who was not a customer of the firm. Unsworth sold shares of his personal holdings in the company to the individual for $35,291.47. He also sold shares of stock in the company on behalf of his registered investment advisor firm to the same individual for $32,946.52. Unsworth failed to provide his firm prior written notice of either of these private securities sales.

The suspension was in effect from September 4, 2018, through October 3, 2018. (**FINRA Case #2016050066401**)

Decisions Issued

The Office of Hearing Officers (OHO) issued the following decisions, which has been appealed to or called for review by the National Adjudicatory Council (NAC) as of August 31, 2018. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decisions. Initial decisions where the time for appeal has not yet expired will be reported in future issues of FINRA Disciplinary and Other Actions.

Kris Lynn Lewis (CRD #4505097, Park City, Kansas)
August 7, 2018 – Lewis appealed an OHO decision to the NAC. Lewis was barred from association with any FINRA member in all capacities. The sanction was based on findings that Lewis willfully failed to timely amend her Form U4 to disclose a reportable event that was material and subjected her automatically to statutory disqualification from the securities industry. The findings stated that Lewis knowingly provided false information to FINRA on a personal activity questionnaire by denying the reportable event and knowingly provided false information on her member firm's compliance questionnaire.

The sanction is not in effect pending review. (**FINRA Case #2015047154001**)

Bradley Carl Reifler (CRD #1589414, Millbrook, New York)
August 8, 2018 – Reifler appealed an OHO decision to the NAC. Reifler was barred from association with any FINRA member in all capacities. The sanction was based on findings that Reifler refused to answer questions asked by FINRA in sessions of on-the-record testimony in response to an investigation into whether he perpetrated a fraudulent scheme to misappropriate millions of dollars.

The sanction is not in effect pending review. (**FINRA Case #2016050924601**)

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.

Thomas A. Davis (CRD #6121035, Midway, Georgia)
July 12, 2018 – Davis was named a respondent in a FINRA complaint alleging that he converted approximately $2,226 from an affiliated bank of his member firm without authorization. The complaint alleges that Davis did so by issuing unwarranted cash credits to five bank customers, purportedly on behalf of the bank, and subsequently withdrawing those amounts from the bank customers' accounts without their knowledge or authorization. The complaint also alleges that Davis failed to appear and provide testimony to FINRA. (**FINRA Case #2016050741702**)

Farrukh Shazad Kazmi (CRD #2855915, Moorestown, New Jersey)
August 1, 2018 – Kazmi was named a respondent in a FINRA complaint alleging that he violated his member firm's written procedures and ignored its explicit instruction by regularly using instant messaging and text messaging to communicate with firm customers in order to conduct a securities business. The complaint alleges that Kazmi did not inform his firm that he used text messaging or instant messaging to conduct a securities business, nor did he provide copies of these communications to the firm. In doing so, Kazmi prevented the firm from reviewing and retaining correspondence with the public, and making and preserving books and records. The complaint also alleges that Kazmi exercised discretion on hundreds of occasions when placing trades in the accounts of customers, without prior written authorization from the customers or written approval from the firm. The complaint further alleges that Kazmi repeatedly made false statements to the firm and to FINRA about using instant messaging to conduct a securities business. Kazmi denied using instant messaging to communicate with customers in compliance questionnaires that he signed and submitted to the firm, and he falsely stated to FINRA and to the firm that his use of instant messaging was limited to a single client. Kazmi also falsely denied exercising discretion in customer accounts in statements to both the firm and FINRA. In addition, the complaint alleges that Kazmi placed purchase orders for shares in initial public offerings on behalf of a customer whom he knew to be a registered representative of another broker-dealer. Kazmi received a total of $10,350.71 in commissions on these purchases and the subsequent sale transactions by this representative. (**FINRA Case #2014039169602**)

Brian Colin Doherty (CRD #2647950, Fair Haven, New Jersey)
August 2, 2018 – Doherty was named a respondent in a FINRA complaint alleging that he willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and FINRA Rules 2010 and 2020 by engaging in prearranged transactions involving various securities. The complaint alleges that Doherty engaged in the transactions to obtain compensation and to enable another individual to deceive his employer, a FINRA-regulated broker-dealer, into believing that the other individual was complying with its internal policies and procedures relating to aged inventory so that he would receive additional compensation. Doherty undertook the prearranged trades when the individual used a code word to avoid detection. Moreover, Doherty deceived his member firm about the nature of the transactions so that he could proceed with them despite the transactions being expressly prohibited by its internal policies. Doherty also engaged in other conduct demonstrating that he knew, or was reckless in not knowing, that he was participating in a fraudulent scheme. The individual and Doherty split the ticket and broke the sale(s) and/or purchase(s) into multiple trades to conceal their true purpose in the event of a trading review by Doherty's firm or the other broker-dealer. In additional prearranged transactions, the individual and Doherty sought to conceal the pattern of their misconduct by switching the order of the trades and having the individual purchase securities from Doherty first, only to sell his aged position in the same securities to Doherty shortly

thereafter, causing a loss to the other broker-dealer. Doherty also made multiple omissions of material fact when discussing the prearranged transactions with other personnel of his firm. Doherty acted with scienter when he defrauded the other broker-dealer by deceiving it into believing that it was no longer holding the aged securities positions, thus causing it both to violate the reserve requirements in its own aged inventory policy, and to suffer approximately $55,773 in losses. The complaint also alleges that in the alternative to the first allegation, Doherty negligently made material omissions and engaged in a transaction, practice, or course of business that operated as a fraud or deceit on the other broker-dealer in violation of FINRA Rule 2010 by violating Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The individual told Doherty that he wanted to enhance his compensation by deceiving the broker-dealer about his compliance with its aged inventory policy, so the unlawfulness of participation in the prearranged transactions should have been obvious to him. Additionally, Doherty failed to disclose material facts when seeking internal approval from his firm to engage in the transactions. Those omissions were, at a minimum, negligent, because they involved the facts most necessary for firm personnel to apprehend the illegality of the prearranged transactions. The complaint further alleges that in the further alternative, Doherty's conduct aided and abetted the individual's violation of FINRA Rule 2020 through the fraudulent scheme. (**FINRA Case #2015047005801**)

Devin Lamarr Wicker (CRD #4228250, New York, New York)
August 8, 2018 – Wicker was named a respondent in a FINRA complaint alleging that he improperly used and converted a customer's funds to pay his member firm's business expenses without the customer's authorization or approval. The complaint alleges that the firm received $50,000 from an investment-banking customer for the purpose of paying a retainer to a law firm hired in connection with a prospective public offering. However, rather than pay that law firm, Wicker used the money to pay the firm's business expenses, including its own legal bills. To date, Wicker has not returned the customer's funds. (**FINRA Case #2016052104101**)

John William Cutshall (CRD #874352, Woodsboro, Maryland)
August 10, 2018 – Cutshall was named a respondent in a FINRA complaint alleging that he abused his position as trustee for trusts that he administered on behalf of a married deceased couple and an elderly widow, by converting and improperly using funds from these trusts. The complaint alleges that in total, Cutshall took approximately $400,000 from the account of the deceased customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken $400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by one of the deceased customers, stating in pertinent part that Cutshall was to receive 50 percent of the customer's trust after the customer, his wife and their daughter had all died. After a law firm advised Cutshall to return the money that he took from the account of the residuary

trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date, he repaid only $229,100 and kept the difference of $170,900. Cutshall did not disclose to his firm or the law firm that he kept these funds. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately $292,100 from the account of the residuary trust based on their accounting of the funds attributable to the trust in that account. In total, Cutshall received approximately $463,000 from the account of the residuary trust. The complaint also alleges that Cutshall administered a trust for the benefit of the elderly customer and improperly withdrew and used $2,000 in customer funds to fund his gambling during a day at a casino. The complaint further alleges that despite completing forms that called for the disclosure of such information, Cutshall never disclosed to his firms that he had been named as a beneficiary of a customer's trust. Cutshall further failed to disclose that he served in any other fiduciary capacity for the deceased customers or that he would be compensated for any such role and failed to provide his firms a copy of the handwritten note naming him as a beneficiary of the trust. Cutshall actively thwarted his firms' ability to supervise his conduct. In addition, the complaint alleges that Cutshall made a misrepresentation on a firm annual compliance questionnaire. (**FINRA Case #2014041590801**)

William James Potter (CRD #1281826, Glen Ridge, New Jersey)
August 14, 2018 – Potter was named a respondent in a FINRA complaint alleging that he converted a portion, $25,176.48, of a deposit that was made into a bank account that Potter controlled, by using the funds for personal and business expenses. The complaint alleges that Potter agreed to act as an intermediary between parties to a commercial real estate transaction. Potter agreed to hold a $2 million deposit made by one party until the depositing party confirmed its receipt of counter-collateral from the other party. The depositing party wired $2 million into a bank account owned by Potter's member firm's corporate parent, an investment advisor controlled by Potter. However, at the time, Potter and his companies were experiencing serious financial difficulties. Almost immediately after receiving the deposit, and before the depositing party received its counter-collateral, Potter spent a portion of the deposit through ATM withdrawals and on his own outstanding business debts, including cooperate parent business debts, among other things,. The complaint also alleges that Potter acted unethically in connection with the real estate transaction by failing to disclose to the depositing party that because he had been promised that he could keep $250,000 of the deposit, he had a conflict of interest with the depositing party in the event of a dispute. In addition, Potter eventually disbursed the entire $2 million— keeping a total of $250,000 and wiring $1.75 million to others involved in the transaction—without attempting to understand his contractual obligations to the depositing party. Potter further misused the depositing party's funds by spending additional portions of the deposit, including transferring $45,000 to his member firm, without concern for whether the consulting agreement authorized him to release the deposit. Potter thus acted with reckless disregard of his obligations to, and the interests

of, the depositing party. Finally, Potter hindered the depositing party's attempts to recover its losses. When asked, Potter refused to tell the depositing party that he had retained a portion of its deposit and refused to tell where he had wired $1.75 million of its deposit, hindering the depositing party's attempts at recovery. (**FINRA Case #2017052871401**)

Brian Lawrence Stephan (CRD #4222796, Jamestown, Ohio)
August 17, 2018 – Stephan was named a respondent in a FINRA complaint alleging that he recommended and caused the execution of unsuitable investments for an 88-year-old customer. The complaint alleges that Stephan recommended that the elderly customer invest in mutual fund Class A shares in 20 different mutual fund families. This recommendation was unsuitable because the customer would have been able to achieve a discount on applicable sales charges by aggregating her mutual fund purchases into fewer fund families. Moreover, on approximately 10 occasions, Stephan recommended a mutual fund purchase in an amount that was relatively slightly less than the level required for a discount on sales charges. Stephan's recommendations lacked any reasonable basis and caused the customer to incur excessive sales charges, and for him to be paid more through commissions. This customer paid over $60,000 in commissions for the Class A share mutual fund transactions. Had the customer invested in larger amounts across fewer fund families, she could have benefitted from sales charge discounts and reduced her costs by approximately $30,000. The complaint also alleges that Stephan mismarked transactions and provided false information on his member firm's mutual fund exchange forms. Stephan marked transactions in the customer's account as unsolicited when they were in fact solicited transactions. Stephan erroneously stated that the exchanges were done because the customer was unhappy with the performance of the original products, when in fact, the customer did not complain about the performance of the original products. This conduct caused his firm to maintain inaccurate books and records. (**FINRA Case #2014042022401**)

Stewart Clinton Malloy (CRD #1029931, The Villages, Florida)
August 24, 2018 – Malloy was named a respondent in a FINRA complaint alleging that he failed to appear and provide FINRA with requested on-the-record testimony in connection with allegations received against him in customer complaints and an arbitration filing. The complaint alleges that the allegations were related to concerns that Malloy purchased unsuitable energy stocks in one customer's account at his member firm, and that he had effected unauthorized and unsuitable trades in additional customer accounts. (**FINRA Case #2016051299201**)

Firm Expelled for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

CPIBD LLC (CRD #46049)
New York, New York
(August 18, 2018

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

Chrysalis Capital Group, LLC (CRD #138499)
San Francisco, California
(August 20, 2018)

Elkhorn Securities, LLC (CRD #168905)
Wheaton, Illinois
(August 14, 2018)

Lanier Securities LLC (CRD #285277)
Buford, Georgia
(August 20, 2018)

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

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

CPIBD LLC (CRD #46049)
New York, New York
(August 4, 2018

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

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

Financial West Investment Group, Inc. (CRD #16668)
Reno, Nevada
(August 17, 2018)

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.)

Lindsey Leigh Brown (CRD #6273931)
Lawton, Oklahoma
(August 13, 2018)
FINRA Case #2018057560401

William Glenn Downing (CRD # 1529382)
Wimberley, Texas
(August 20, 2018)
FINRA Case #2017054634701

Keven V. Gayle (CRD #5816879)
Brookhaven, Georgia
(August 6, 2018)
FINRA Case #2017056724701

Jose Giraldo (CRD #5429476)
Chula Vista, California
(August 27, 2018)
FINRA Case #2018058059201

Cristhelle Maria Medina (CRD #6372877)
Lake Worth, Florida
(August 13, 2018)
FINRA Case #2017056180301

Stephen Allen Murray (CRD #343722)
Lake Worth, Florida
(August 7, 2018)
FINRA Case #2017054614801

Ivan Reyes (CRD #2399736)
Brooklyn, New York
(August 28, 2018)
FINRA Case #2015047602804

David Santos Rodgers (CRD #1375468)
Valley, Pennsylvania
(August 27, 2018)
FINRA Case #2018058057901

Michael August Sekusky (CRD #6834208)
Laflin, Pennsylvania
(August 27, 2018)
FINRA Case #2017056500001

Jimmy Quoc Tran (CRD #6172848)
San Jose, California
(August 27, 2108)
FINRA Case #2018057015301

Anthony Peter Valois (CRD #2868602)
Staten Island, New York
(August 27, 2018)
FINRA Case #2017055582301

Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Joey Giamichael (CRD #3248158)
Courtland, New York
(January 22, 2013 – August 7, 2018)
FINRA Case #2011026060504

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.)

Gregory Adamo (CRD #1192587)
Morristown, New Jersey
(August 10, 2018)
FINRA Case #2017053574001

Ricardo Manuel Bustamante (CRD #6327608)
Miami, Florida
(August 23, 2018)
FINRA Case #2018058423301

Daniel John Flores (CRD #2908027)
Appleton, Wisconsin
(August 20, 2018)
FINRA Case #2018058020401

Jose Giraldo (CRD #5429476)
Chula Vista, California
(August 21, 2018 – August 26, 2018)
FINRA Case #2018058059201

Joshua Dean Krize (CRD #5295965)
Mesa, Arizona
(August 10, 2018)
FINRA Case #2018058263701

Francine Ann Lanaia (CRD #1415689)
Fort Salonga, New York
(August 17, 2018)
FINRA Case #2017052475701

Scott Alfredo Miozzi (CRD #6241403)
Middletown, New York
(August 23, 2018)
FINRA Case #2018058244001

Daniel Moore (CRD #7004393)
Coppell, Texas
(August 10, 2018)
FINRA Case #2018058641401

Scott Halbert Newbanks (CRD #1216623)
Lake Havasu City, Arizona
(August 27, 2018)
FINRA Case #2017055770101

Yousuf Saljooki (CRD #5045123)
Melville, New York
(August 6, 2018)
FINRA Case #2018057626101

Jameson Jeewon Shin (CRD #2436899)
Everett, Washington
(August 13, 2018)
FINRA Case #2018058301501

Margaret Brinck Sterr (CRD #1666743)
Grosse Pont, Michigan
(August 6, 2018)
FINRA Case #2017055682001

Francisco Javier Valenzuela (CRD #2786970)
Tucson, Arizona
(August 13, 2018)
FINRA Case #2018057266701

Bryce J. Vance (CRD #6499644)
Caldwell, Idaho
(July 30, 2018 – August 17, 2018)
FINRA Case #2018057094901

Jackie Divono Wadsworth (CRD #2342163)
Fulshear, Texas
(August 27, 2018)
FINRA Case #2016050137502

Stephen Robert Williams (CRD #4299561)
Goshen, Indiana
(August 27, 2018)
FINRA Case #2017056094201

Eric Anthony Zimmer (CRD #2918143)
Bossier City, Louisiana
(August 23, 2018)
FINRA Case #2018058501601

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

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

Jason Barton Beem (CRD #3083143)
Louisville, Kentucky
(August 15, 2018)
FINRA Arbitration Case #18-00379

Stephen Grivas (CRD #1829703)
Jericho, New York
(August 16, 2018)
FINRA Arbitration Case #15-01415

Eric J. Negron (CRD #5378359)
Austin, Texas
(August 8, 2018 – September 4, 2018)
FINRA Arbitration Case #14-00523

Garry Nelson Savage Jr. (CRD #2338013)
Huron, Ohio
(August 16, 2018)
FINRA Arbitration Case #16-02054

Garry Nelson Savage Sr. (CRD #1195330)
Huron, Ohio
(August 16, 2018)
FINRA Arbitration Case #16-02054

Mark David Vanaelst (CRD #5467470)
Spring Lake, Michigan
(August 29, 2018)
FINRA Arbitration Case #17-00427

Aaron Bronelle Wilbanks (CRD #1983697)
Oklahoma City, Oklahoma
(August 16, 2018)
FINRA Arbitration Case #14-03350

PRESS RELEASE

FINRA Fines Interactive Brokers $5.5 Million for Regulation SHO Violations and Supervisory Failures

FINRA announced that it has fined **Interactive Brokers LLC** (Interactive) $5.5 million for Regulation SHO violations and supervisory failures spanning a period of at least three years.

To limit ongoing naked short positions, firms are required by the SEC's Reg SHO, after completion of a short sale transaction, to deliver the shares on settlement date or take affirmative action to close out the "failure to deliver" shares by purchasing or borrowing the securities. If the failure to deliver is not closed out, the firm may not accept additional short sale orders in the security without first borrowing or arranging to borrow the security. Regulation SHO also prohibits the execution or display of short sale in a "covered security" at a price that is less than or equal to the current national best bid when the price of the security has fallen by 10 percent or more in one day.

FINRA found that from July 2012 through June 2015, Interactive's supervisory system, including its written supervisory procedures, was not reasonably designed to achieve compliance with the requirements of Regulation SHO. Also, Interactive repeatedly ignored "red flags," including internal audit findings, multiple internal warnings from its clearing and compliance personnel, its own annual risk assessments, and FINRA exam findings, indicating that its Regulation SHO supervisory systems and procedures were unreasonable. Although Interactive was aware of these supervisory deficiencies, it did not implement remedial measures until mid-2015. As a result, Interactive did not timely close-out more than 2,300 fails-to-deliver, and accepted and executed short orders in those securities without first borrowing (or arranging to borrow) the security approximately 28,000 times. Interactive also permitted the execution or display of more than 4,700 short sale orders in covered securities at a price less than or equal to the current national best bid.

Susan Schroeder, FINRA Executive Vice President, Department of Enforcement, said, "Firms that are aware of deficiencies in their supervisory systems must promptly remediate them. In this case, the firm internally identified the problems, yet did not revise its supervisory systems for more than three years, creating the potential for negative impact to the markets and investor harm."

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