

BEFORE THE NATIONAL ADJUDICATORY COUNCIL  
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the Association of	<u>Redacted Decision</u>
X	<u>Notice Pursuant to</u>
as a	<u>Rule 19h-1</u>
Corporate Securities Limited	<u>Securities Exchange Act</u>
Representative	<u>of 1934</u>
with	<u>SD13003</u>
The Sponsoring Firm	Date: 2013

**I. Introduction**

On June 25, 2012, the Sponsoring Firm filed a Membership Continuance Application (“MC-400” or “the Application”) with FINRA’s Department of Registration and Disclosure. The Application requests that FINRA permit X, a person subject to a statutory disqualification, to associate with the Sponsoring Firm as a corporate securities limited representative (Series 62).<sup>1</sup> In March 2013, a subcommittee (“Hearing Panel”) of FINRA’s Statutory Disqualification Committee held a hearing on the matter. X appeared at the hearing, accompanied by his Proposed Supervisor and the Sponsoring Firm’s counsel, Firm Attorney 1 and Firm Attorney 2. FINRA Employee 1, FINRA Attorney 1, and FINRA Attorney 2 appeared on behalf of FINRA’s Department of Member Regulation (“Member Regulation”).

For the reasons explained below, we approve the Sponsoring Firm’s Application.<sup>2</sup>

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<sup>1</sup> The Sponsoring Firm originally filed a Membership Continuance Application seeking permission for X to associate with it on November 2, 2009. The Sponsoring Firm subsequently withdrew that application and filed the Application currently before us.

<sup>2</sup> Pursuant to FINRA Rule 9524(a)(10), the Hearing Panel submitted its written recommendation to the Statutory Disqualification Committee. In turn, the Statutory Disqualification Committee considered the Hearing Panel’s recommendation and presented a written recommendation to the National Adjudicatory Council.

## II. The Statutorily Disqualifying Events

X is statutorily disqualified because he consented to a Judgment of Permanent Injunction and Order of Disgorgement entered by a United States District Court in 1984 (the “Judgment”). The Judgment permanently restrained and enjoined X and others from violating Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (“Exchange Act”) and Exchange Act Rules 10b-5 and 14e-3, and ordered that X disgorge approximately \$70,000. The bases for the Judgment were allegations by the SEC that X engaged in insider trading. Before the Hearing Panel, X testified that in 1981, he received inside information from his brother, who had received information from a friend, concerning several securities. He further explained that he did not realize that he had received inside information at the time he made the trades. X admitted that he made a mistake and “did something totally against my character, never made that mistake again.”

X is also statutorily disqualified because in 1984, and based upon the same facts underlying the Judgment, the SEC entered an order against X in an administrative proceeding (the “SEC Order”). The SEC Order barred X from associating with any broker, dealer, municipal securities dealer, investment adviser, or investment company, with the right to reapply for association after 12 months.<sup>3</sup>

## III. Prior Regulatory Approvals

Since the Judgment and SEC Order, X has been approved to associate with several member firms notwithstanding his statutory disqualification. In 1985, the NYSE filed a notice pursuant to Exchange Act Rule 19h-1 for X to associate with Firm X as a bond trader and special

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<sup>3</sup> FINRA’s By-Laws provide that a person is subject to “disqualification,” and thus must seek and obtain FINRA’s approval prior to associating with a member firm, if he is disqualified under Exchange Act Section 3(a)(39). *See* FINRA By-Laws, Article III. Exchange Act Section 3(a)(39) provides that:

A person is subject to a “statutory disqualification” with respect to . . . association with a member of, a self-regulatory organization, if such person—(B) is subject to (i) [a]n order of the Commission . . . (II) [b]arring or suspending for a period not exceeding 12 months his being associated with a broker, dealer . . . [or] (F) . . . is enjoined from any action, conduct, or practice specified in subparagraph (C) of [paragraph (4) of Exchange Act Section 15(b)].

In turn, Exchange Act Section 15(b)(4)(C) refers to any person that is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from engaging in, or continuing any conduct or practice in connection with, any activity as a broker-dealer, investment adviser, or in connection with the purchase or sale of any security.

limited partner. FINRA concurred with the NYSE's Rule 19h-1 filing, and the SEC approved the association in 1985.<sup>4</sup>

In 1986, the NYSE filed another notice pursuant to Exchange Act Rule 19h-1 to approve X as an allied member and general partner of Firm X. FINRA concurred with the NYSE's filing, and SEC staff issued a letter stating that it would not recommend to the SEC that it bar X from associating with the firm.

In 1992, the NYSE filed a notification pursuant to Exchange Act Rules 19h-1(a)(3)(ii) and (a)(4) to approve X's association as a registered representative, bond trader, and special limited partner with Firm Y. The SEC subsequently acknowledged this notification.

In 1994, FINRA filed a notification pursuant to Exchange Act Rule 19h-1(a)(3)(ii) to permit X's association as a registered representative with Firm Z. The SEC subsequently acknowledged this notification.

In 2002, FINRA filed a notice pursuant to Exchange Act Rule 19h-1 for X to continue to associate with Firm Z with less frequent supervision than originally approved in 1985. In 2004, the SEC issued an order approving the notice.

#### **IV. Background Information**

##### **A. X**

##### **1. Employment History**

X began his career in the securities industry as a bond trader, and has acted in that capacity for most of his career. X was first registered in the securities industry as a representative (Series 1) in March 1969. He registered as a principal (Series 40) in June 1972, as a general securities principal (Series 24) in July 1994, and as a corporate securities limited representative (Series 62) in September 2012. He also passed the uniform securities agent state law exam (Series 63) in February 2013. Prior to his association with the Sponsoring Firm, X was associated with 15 firms.

##### **2. X's Improper Association with the Sponsoring Firm Prior to Regulatory Approval**

In 2012, X entered into a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA for violations of FINRA Rule 2010 by associating with the Sponsoring Firm without

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<sup>4</sup> On June 14, 1984, during the pendency of X's bar but prior to the 12-month period after which X could reapply for association, the SEC issued a no-action letter, subject to compliance with certain procedures, in connection with X's proposed association with a broker of government securities not registered with the SEC.

regulatory approval. Without admitting or denying the allegations set forth in the complaint, X consented to findings that in 2009, X sought to associate with the Sponsoring Firm as a general securities representative and the Sponsoring Firm filed for X a Uniform Application for Securities Industry Registration or Transfer (“Form U4”). In 2009, the Sponsoring Firm filed a Membership Continuance Application with FINRA seeking permission for X to associate with the Sponsoring Firm. The AWC found that in 2009, X, as a statutorily disqualified individual, associated with the Sponsoring Firm without regulatory approval and sat on one of the Sponsoring Firm’s trading desks and engaged in trading and brokerage activities. FINRA suspended X in all capacities for one month and fined him \$10,000. X served his suspension and paid the fine in full.<sup>5</sup>

X explained that he moved to the Sponsoring Firm in 2009 as part of a large group that left his former firm, and that his prior requests to associate with member firms notwithstanding his statutory disqualification were approved quickly. X testified that the Sponsoring Firm was aware of his disqualification, and that for X’s first several weeks at the Sponsoring Firm, he helped set up trading desks and performed other administrative tasks. X further testified that he incorrectly assumed that his request to associate with the Sponsoring Firm would be approved quickly, because at his prior firms he was approved to broker bonds within a week or two of joining those firms. When the Sponsoring Firm learned that the statutory disqualification proceeding needed to conclude before X could associate with it, it immediately placed him on administrative leave. X has been out of the industry and unemployed since November 2009. X has not received any payments from the Sponsoring Firm during that time.<sup>6</sup>

Other than the 2012 AWC, Judgment, and SEC Order, the record shows no other disciplinary or regulatory proceedings against X. In 1984, a customer alleged that X engaged in insider trading (concerning the same facts as underlying the Judgment and SEC Order), which the customer alleged resulted in losses of \$250,000. The customer subsequently withdrew this complaint, and the record shows no other customer complaints against X.

In addition, Member Regulation represents that all prior statutory disqualification examinations of X have resulted in no violations being found.

B. The Sponsoring Firm

The Sponsoring Firm is based in City 1, and it has been a FINRA member since July 1987. The Sponsoring Firm represents that it has three offices of supervisory jurisdiction and nine branch offices. Further, the Sponsoring Firm represents that it employs 610 individuals, of

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<sup>5</sup> The Sponsoring Firm also entered into an AWC for this misconduct. *See infra* Part IV.B.1.

<sup>6</sup> X testified that while he was associated with the Sponsoring Firm in 2009, he received wages of approximately \$20,000 and a forgivable loan in the amount of \$187,000.

which 92 are registered principals and 403 are registered representatives. The Sponsoring Firm's business is entirely as an inter-dealer broker of bonds, and it has no retail customers.

1. Regulatory Actions

In 2012, the Sponsoring Firm entered into an AWC with FINRA for violations of FINRA Rules 7450, 6730, and 2010, and NASD Rule 3010. Without admitting or denying the allegations set forth in the complaint, the Sponsoring Firm consented to findings that it failed to report timely and accurately to FINRA's Trade Reporting and Compliance Engine ("TRACE") numerous transactions, failed to transmit numerous Reportable Order Events to the Order Audit Trail System ("OATS"), and failed to enforce its written supervisory procedures ("WSPs") with respect to OATS reporting. FINRA censured the Sponsoring Firm and fined it \$100,000.

In 2012, the Sponsoring Firm entered into an AWC with FINRA for violations of NASD Rule 3010 and FINRA Rule 2010. Without admitting or denying the allegations set forth in the complaint, the Sponsoring Firm consented to findings that in connection with X's association with the Sponsoring Firm while statutorily disqualified in 2009, it failed to establish and maintain a supervisory system, and failed to establish, maintain, and enforce WSPs reasonably designed to ensure that representatives were properly registered, provide for a system of communications between those persons, require reviews on a sufficiently frequent basis, or have a process in place addressing the amount of access unregistered persons would have to e-mail and trading systems. FINRA censured the Sponsoring Firm and fined it \$40,000. Counsel for the Sponsoring Firm admitted that the Sponsoring Firm "clearly made a mistake" in connection with X's association with the Sponsoring Firm.

In 2009, the Sponsoring Firm entered into an AWC with FINRA for violations of NASD Rules 6130, 4632, and 2110. Without admitting or denying the allegations set forth in the complaint, the Sponsoring Firm consented to findings that it failed to report timely and accurately certain sales reports to the FINRA/Nasdaq Trade Reporting Facility. FINRA censured the Sponsoring Firm and fined it \$10,000.<sup>7</sup>

The record shows no other recent complaints, disciplinary proceedings, or arbitrations against the Sponsoring Firm.

2. Routine Examinations of the Sponsoring Firm

In 2013, FINRA issued the Sponsoring Firm a Cautionary Action. FINRA cited the Sponsoring Firm for failing to demonstrate that it had performed the required risk assessments pursuant to its internal audit manual in 2011 and 2012 and for failing to demonstrate that it performed a credit analysis for a client, in violation of NASD Rule 3010 and Exchange Act Rule

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<sup>7</sup> Since 2007, the Sponsoring Firm has entered into three additional AWCs with FINRA. These AWCs related to deficient TRACE reporting, and the Sponsoring Firm paid a total of \$50,500 in fines.

15c3-5(c). The Sponsoring Firm responded in writing that it corrected the deficiencies noted in the Cautionary Action.

In 2012, FINRA issued the Sponsoring Firm a Cautionary Action. FINRA cited the Sponsoring Firm for failing to accurately report its net capital and for maintaining WSPs that did not adequately address its alternative trading system. The Sponsoring Firm responded in writing that it corrected the deficiencies noted in the Cautionary Action.

## **V. X's Proposed Business Activities and Supervision**

The Sponsoring Firm proposes to employ X at its home office in City 1 as a corporate securities limited representative. The Sponsoring Firm represents that X will broker corporate debt and will act as an intermediary between dealers and facilitate inter-dealer trades. The Sponsoring Firm represents that X will not interact with retail customers. X will be compensated by a salary with a bonus provision.

The Sponsoring Firm proposes that X will be supervised primarily by the Proposed Supervisor, who is the Sponsoring Firm's Head of Corporate Debt and Credit Derivatives for Eurobrokers (a division of the Sponsoring Firm) and also serves on the Sponsoring Firm's Executive Committee.<sup>8</sup> The Proposed Supervisor has been with the Sponsoring Firm since November 2009, and first registered as a general securities representative (Series 7) in October 1985 and qualified as a general securities principal (Series 24) in April 1993. In November 1985, the Proposed Supervisor also passed the uniform securities agent state law exam (Series 63). The Proposed Supervisor has been associated with four other firms.

The Proposed Supervisor is located in the Sponsoring Firm's home office, and the Sponsoring Firm represents that he currently supervises 45 other individuals. The Proposed Supervisor testified that he will sit several seats from X on the trading desk. The record shows no criminal, disciplinary, or regulatory proceedings, complaints, or arbitrations against the Proposed Supervisor.

Firm Employee 1 will assist the Proposed Supervisor with his supervisory duties. If the Proposed Supervisor is out of the office, Firm Employee 1 will serve as X's backup supervisor. Firm Employee 1 is also located at the Sponsoring Firm's home office, and will sit right behind X. Firm Employee 1 has been with the Sponsoring Firm since September 2009, and first registered as a general securities representative (Series 7) in February 1984 (when he also passed the uniform securities agent state law exam (Series 63)). Firm Employee 1 qualified as an equity

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<sup>8</sup> The Proposed Supervisor testified that his duties as a member of the Sponsoring Firm's Executive Committee consist of one meeting per month that is held after business hours. He further testified that as Head of Corporate Debt and Credit Derivatives for Eurobrokers, his duties consist of supervising the individuals who work in that department (i.e., the 45 individuals referenced herein). We discuss the Proposed Supervisor's proposed supervision of X in Part VII.B *infra*.

trader limited representative (Series 55) in December 1999, and as a general securities principal (Series 24) in July 2002. Firm Employee 1 supervises one other individual at the Sponsoring Firm, and has been associated with seven other firms. The record shows no criminal, disciplinary, or regulatory proceedings, complaints, or arbitrations against Firm Employee 1.

## **VI. Member Regulation's Recommendation**

Member Regulation recommends that the Application be approved, subject to the specified terms and conditions of heightened supervision over X set forth below.

## **VII. Discussion**

We have carefully reviewed the entire record in this matter. Based on this record, and pursuant to the SEC's controlling decisions in this area, we approve the Sponsoring Firm's Application to employ X as a corporate securities limited representative, subject to the supervisory terms and conditions set forth below.

### **A. The Legal Standards**

The legal framework that governs our review is set forth in *Paul Edward Van Dusen*, 47 S.E.C. 668 (1981), and *Arthur H. Ross*, 50 S.E.C. 1082 (1992). *Van Dusen* and *Ross* provide that in situations where the SEC has already addressed an individual's misconduct through its administrative process and has chosen to impose certain sanctions for that misconduct, FINRA generally should not evaluate a statutory disqualification application based on the individual's underlying misconduct. The SEC stated that when the period of time specified in its order has passed, "in the absence of new information reflecting adversely on [the applicant's] ability to function in his proposed employment in a manner consonant with the public interest, it is inconsistent with the remedial purposes of the Exchange Act and unfair" to deny an application for re-entry. *Van Dusen*, 47 S.E.C. at 671.

The SEC also noted in *Van Dusen*, however, that an applicant's re-entry is not "to be granted automatically" after the expiration of a given time period. *Id.* Instead, the SEC instructed FINRA to consider other factors, such as: (1) other intervening misconduct in which the applicant may have engaged; (2) the nature and disciplinary history of the prospective employer and supervisor; and (3) the supervision to be accorded the applicant. *Id.*; *see also Continued Ass'n of Leslie A. Arouh*, slip op. at 4-6 (FINRA NAC 2009) (redacted decision), available at <http://www.finra.org/web/groups/industry/@ip/@enf/@adj/documents/nacdecisions/p122610.pdf> (applying *Van Dusen* factors in reviewing an application for a registered representative to associate with a firm where he engaged in intervening misconduct), *aff'd*, Exchange Act Release No. 62898, 2010 SEC LEXIS 2977 (Sept. 13, 2010).

B. Application of the *Van Dusen* Standards

After applying the *Van Dusen* standards to this matter, and considering the facts and circumstances involving each factor set forth in *Van Dusen*, we approve the Sponsoring Firm's Application.

1. Intervening Misconduct

We acknowledge that X has some intervening misconduct. In 2009, X improperly associated with the Sponsoring Firm while statutorily disqualified prior to receiving FINRA approval. FINRA suspended X for 30 days and fined him \$10,000 for this serious misconduct pursuant to the 2012 AWC. Likewise, the Sponsoring Firm was sanctioned for this misconduct pursuant to an AWC. We consider, however, that the Sponsoring Firm and X promptly ended X's employment once they realized they were violating FINRA's rules in November 2009. Additionally, the Sponsoring Firm revised its WSPs to help prevent similar misconduct from occurring in the future. We also note that X expressed remorse for this misconduct, and we accept his explanation that his prior applications to associate with member firms had been promptly approved with little down time and he did not believe that his proposed association with the Sponsoring Firm would be any different. Other than the 2012 AWC, X has had a clean disciplinary history since the Judgment and SEC Order were entered almost 30 years ago. Further, X associated with several other firms under heightened supervision without incident for more than 24 years. Considering all these facts, as well as the Sponsoring Firm's proposed heightened plan of supervision and X's proposed supervisors (as discussed below), we find that X's intervening misconduct does not require that we deny the Application.

2. The Prospective Employer and Supervisors

The record shows that the proposed primary supervisor, the Proposed Supervisor, is well qualified. He first registered in the industry in October 1985, and has been registered as a general securities principal for more than 20 years. The Proposed Supervisor has no disciplinary history or customer complaints. Further, although the Proposed Supervisor currently supervises 45 other individuals at the Sponsoring Firm, counsel for the Sponsoring Firm represented that it carefully considered this fact and determined that the Proposed Supervisor was best able to provide X with stringent supervision pursuant to the proposed heightened supervisory plan. The Proposed Supervisor will supervise X on-site and will be in close proximity to him at the Sponsoring Firm. The Proposed Supervisor testified that he "can be on top of any problems immediately" due to his proximity to X.<sup>9</sup> X testified that at his prior firm, he made on average five or six trades per day and expects to make the same number of trades per day (or fewer) at the Sponsoring Firm. Further, X's customers will consist mostly of other large broker-dealers.

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<sup>9</sup> This reasoning applies equally to Firm Employee 1, who will assist the Proposed Supervisor with certain of his supervisory duties under the plan and will serve as backup supervisor for X when the Proposed Supervisor is out of the office. Firm Employee 1 has extensive industry experience, no disciplinary history, and is well qualified to serve as the backup supervisor under the heightened plan of supervision.



We find credible the Proposed Supervisor's unequivocal testimony that he will be able to supervise X pursuant to heightened supervisory conditions, will have sufficient time to do so notwithstanding his other responsibilities, and that he fully understands the responsibility that he is undertaking in doing so. Further, the Proposed Supervisor testified that he supervised X at his prior firm, where X was under heightened supervision, without incident. We also find that the Proposed Supervisor will be assisted by Firm Employee 1, who is responsible for reviewing X's incoming correspondence (including email) and all instant messages sent and received by X under the heightened supervisory plan. We find that under the unique facts and circumstances before us, the Proposed Supervisor and Firm Employee 1 will be capable of supervising X under the heightened supervisory plan.

The record also shows that although the Sponsoring Firm has a disciplinary history, it has taken corrective actions to address noted deficiencies. Further, the majority of the Sponsoring Firm's regulatory events relate to reporting obligations and not supervisory problems at the Sponsoring Firm. Given the factors discussed herein and the Sponsoring Firm's business, we find that the Sponsoring Firm's prior disciplinary and regulatory actions will not interfere with its ability to provide an effective supervisory environment for X. Further, as we discussed above, the Sponsoring Firm has amended its WSPs to help ensure that a disqualified individual does not prematurely associate with it in the future.

### 3. Proposed Heightened Supervisory Plan

We find that the Sponsoring Firm has proposed a comprehensive supervisory plan, with well qualified supervisors, to ensure that it will be able to maintain future compliance with the plan of heightened supervision for X. The Sponsoring Firm's plan is specifically tailored to X, and we are satisfied that the following heightened supervisory procedures will enable the Sponsoring Firm to reasonably monitor X's activities on a regular basis:<sup>10</sup>

- \*1. The WSPs of the Sponsoring Firm will be amended to state that the Proposed Supervisor will be the primary supervisor responsible for X and Firm Employee 1 will be the alternate supervisor responsible for X.
- \*2. X will work out of the same office as the Proposed Supervisor and Firm Employee 1, and in close proximity to them at the same trading desk.
- \*3. X will have no supervisory duties.
- \*4. X will be required to complete a pre-clearance form prior to conducting any personal securities transactions (to include securities transactions by his immediate family members) and obtain the Proposed Supervisor's written

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<sup>10</sup> The Sponsoring Firm submitted an amended heightened supervisory plan subsequent to the hearing, which addressed certain concerns raised by the Hearing Panel. Items that are denoted by an asterisk are heightened supervisory conditions for X and are not standard operating procedures of the Sponsoring Firm.

approval prior to engaging in any such transaction. All of X's personal securities transactions will be subject to a 10 calendar-day holding period. The Proposed Supervisor will seek to prevent X from using or trading on any material, nonpublic information. the Proposed Supervisor's review will include but not be limited to X's transactions in any bonds, securities, or derivatives of securities of any issuer of a bond, traded by X in connection with his employment with the Sponsoring Firm. Documents pertaining to these pre-clearance forms, and the Proposed Supervisor's review and approval of X's personal securities transactions, will be kept segregated for ease of review during any statutory disqualification examination.<sup>11</sup>

- \*5. Any personal accounts held by X or any of his immediate family members will be subject to a monthly compliance review. Copies of confirmations and statements generated by those brokerage accounts (or electronic feeds if the accounts in question are held at a brokerage firm with that arrangement in place with the Sponsoring Firm) will be sent directly to the Sponsoring Firm.
- \*6. The Proposed Supervisor will review, on a daily basis, the trading activity of the desk where X will be working. The record of the daily trading activity for X's desk will be in the form of an electronic blotter consisting of all trades done for the day by the broker on the desk. Each trade on the blotter will denote buy or sell, amount, price, security, CUSIP, trade date, settlement date, commission, counterparty and the broker handling the trade.
- \*7. For the purposes of email communication with clients, X will only be allowed to use an email account that is held at the Sponsoring Firm, with all emails being filtered through the Sponsoring Firm's email system. If X receives a business-related email message in another email account outside the Sponsoring Firm, he will immediately deliver that message to the Sponsoring Firm's email account. X will also inform the Sponsoring Firm of all outside email accounts that he maintains and will provide the Sponsoring Firm access to the accounts upon request. The Sponsoring Firm will maintain any business-related email messages sent to X from these accounts and keep them segregated for ease of review during any statutory disqualification audit.
- \*8. Firm Employee 1 will review all of X's incoming written correspondence (which includes e-mail communications), at a minimum, on a weekly basis. With the exception of instant messaging (which includes instant messages sent via Bloomberg), the Proposed Supervisor will review and approve all of X's outgoing correspondence (which includes email communications) before they are sent. Firm Employee 1 will review all instant messages sent and received by X, at a minimum, on a weekly basis.

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<sup>11</sup> We order that the Sponsoring Firm must add item 4, which we amended and differs from item 4 contained in the Sponsoring Firm's amended heightened supervisory plan, to complete its plan of heightened supervision for X.

- \*9. X will not open any new accounts.
- \*10. If the Proposed Supervisor is to be on vacation or out of the office for an extended period, Firm Employee 1 will act as X's interim supervisor.
- \*11. All complaints pertaining to X, whether oral or written, will be immediately referred to the Proposed Supervisor for review. The Proposed Supervisor will prepare a memorandum to the file with full details as to the review, investigation and resolution of the matter. Documents pertaining to these complaints will be kept segregated for ease of review during any statutory disqualification examination.
- \*12. The Sponsoring Firm must obtain prior approval from Member Regulation if it wishes to change X's primary responsible supervisor from the Proposed Supervisor to another person. Pending approval of a new primary responsible supervisor, X will be supervised by Firm Employee 1.
- \*13. The Proposed Supervisor will certify quarterly to the Compliance Department that he has performed a quarterly review of X's overall business activities, including his corporate bond brokering activity and his commission runs. The Proposed Supervisor will maintain and keep segregated these certifications for ease of review during any statutory disqualification examination.
- \*14. The Proposed Supervisor will perform a quarterly compliance review of X for compliance with regulatory procedures and the Sponsoring Firm policies. The review will include a supervisory meeting with X to discuss, among other things, the supervisory process, the Sponsoring Firm policies, regulatory developments and compliance initiatives. Documents pertaining to these reviews will be kept segregated for ease of review during any statutory disqualification examination.
- \*15. On a quarterly basis, X will certify in writing to the Proposed Supervisor that he has read the Sponsoring Firm's current Code of Conduct and other applicable firm policies, and that he fully understands his obligations thereunder. The Proposed Supervisor will maintain copies of X's certifications and will keep them segregated for ease of review during any statutory disqualification examination.
- \*16. The Proposed Supervisor will certify quarterly to the Compliance Department that he and X are in compliance with all of the above conditions of heightened supervision to be imposed upon X. The Proposed Supervisor will maintain and keep segregated these certifications for ease of review during any statutory disqualification examination.
- \*17. At least annually, the Sponsoring Firm, via the Compliance Department, will review its WSPs on statutory disqualification and its processes to ensure that its WSPs are current and are implemented appropriately.

In sum, we have determined that under the requirements of the SEC's decision in *Van Dusen*, the Sponsoring Firm's Application satisfies the conditions necessary for X to re-enter the securities industry as a corporate securities limited representative. Although X entered into an AWC with FINRA in 2012 for prematurely associating with the Sponsoring Firm (his only misconduct since the 1984 Judgment and SEC Order), we find that the Sponsoring Firm has proposed a heightened supervisory plan designed to provide stringent supervision of X and that the Proposed Supervisor and Firm Employee 1 are well qualified to ensure compliance with that plan.

FINRA certifies that: (1) X meets all applicable requirements for the proposed employment; (2) the Sponsoring Firm represents that it is registered with several other self-regulatory organizations, including ISE, NYSE ARCA, NQX, BATS, and DTCC; (3) the Sponsoring Firm represents that it does not currently employ any other statutorily disqualified individuals; and (4) the Sponsoring Firm represents that X and the Proposed Supervisor are not related by blood or marriage, and that X and Firm Employee 1 are not related by blood or marriage.

### **VIII. Conclusion**

Accordingly, we approve the Sponsoring Firm's Application for X to associate with it as a corporate securities limited representative as set forth herein. The registration of X as a corporate securities limited representative with the Sponsoring Firm will become effective upon the issuance of an order by the SEC that it will not institute proceedings pursuant to Section 15(b) of the Exchange Act and that it will not direct otherwise pursuant to Exchange Act Section 15A(g)(2).

FINRA is also seeking relief under Exchange Act Section 19(h). This notice shall serve as an application for such an order.

On Behalf of the National Adjudicatory Council,

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Marcia E. Asquith  
Senior Vice President and Corporate Secretary