

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

RONALD E. HARDY, JR.
CRD No. 2668695, and

ROBERT A. BELLIA, JR.
CRD No. 2387955

RESPONDENTS.

DISCIPLINARY PROCEEDING
No. 2005001502703

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

This case involves a registered representative who falsified, or caused to be falsified, certain new account records in order to establish three customer accounts. The representative then executed unauthorized transactions in two of the newly-created accounts, and in one other account. This matter also involves a registered principal's failure to supervise the representative's activities by failing to investigate "red flags" indicating possible misconduct, and by failing to enforce heightened supervisory measures against the representative.

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JURISDICTION

1. Ronald E. Hardy, Jr. entered the securities industry in September 1995, when he associated with a FINRA member firm. He subsequently registered with two other member firms before associating with former member firm Salomon Grey Financial Corporation in July 2002. Hardy remained at Salomon Grey until February 2005, when he was discharged for violating firm and branch office policies. Thereafter, he registered with three other member firms, including his current employer member firm, Aura Financial Services, Inc. During his career in the securities industry, Hardy has obtained Series 7 and 63 securities licenses.
2. Robert A. Bellia, Jr. entered the securities industry in August 1993, when he associated with a FINRA member firm. He subsequently registered with ten other member firms before associating with Salomon Grey Financial Corporation as a General Securities Representative and General Securities Principal from April 1999 to March 2006. Thereafter, he registered with one other member firm before associating with his current employer, FINRA member firm Aura Financial Services, Inc. in June 2007. During his career in the securities industry, Bellia has obtained Series 6, 7, 24, 53, 62 and 63 securities licenses
3. FINRA has jurisdiction to file this Complaint against Hardy and Bellia based on the fact that they are each currently registered with a FINRA member firm.

FIRST CAUSE OF ACTION

(Falsification of New Account Records - Rules 3110 and 2110)

4. The Department realleges and incorporates by reference paragraphs 1-3 above.

5. During the period from March 2004 to October 2004, while associated with former FINRA member firm Salomon Grey, Hardy falsified, or caused to be falsified, the new account records of customers FT, LH and EM, including placing, or causing to be placed, inaccurate dates of birth and/or social security numbers on new account forms for customers FT and EM, in order to open securities accounts in the customers' names.
6. In March 2004, Hardy falsified, or caused to be falsified, new account records for customer FT by placing, or causing to be placed, an incorrect date of birth and social security number on a new account form and by submitting the document to Salomon Grey for the establishment of a new customer account in FT's name, without FT's knowledge, authorization or consent.
7. In or about July 2004, Hardy falsified, or caused to be falsified, new account records for customer LH by submitting documents to Salomon Grey for the establishment of a new customer account in LH's name, without LH's knowledge, authorization or consent.
8. In or about October 2004, Hardy falsified, or caused to be falsified, new account records for customer EM by placing, or causing to be placed, an incorrect social security number on a new account form and by submitting the document to Salomon Grey for the establishment of a new customer account in EM's name, without EM's knowledge, authorization or consent.
9. Such acts, practice and conduct constitute distinct violations of NASD Conduct Rules 3110 and 2110 by Ronald E. Hardy, Jr.

SECOND CAUSE OF ACTION
(Unauthorized Transactions - Rule 2110 and IM-2310-2)

10. The Department realleges and incorporates by reference paragraphs 1-9 above.
11. During the period from March 2004 to October 2004, while associated with former FINRA member firm Salomon Grey, Hardy opened unauthorized accounts in the names of customers FT, LH and EM. He subsequently executed unauthorized transactions in FT's and LH's accounts. He also executed an unauthorized transaction in customer DG's account.
12. In March 2004, Hardy executed an unauthorized transaction in the account of customer FT, a resident of Omaha, Nebraska. Hardy contacted customer FT with a recommendation that FT purchase shares of Pfizer, Inc. common stock.
13. Shortly after the phone call with Hardy, FT received a new account form, which contained an incorrect date of birth and social security number, from Salomon Grey for his signature. FT returned the form, unsigned, to the firm with a note indicating that he was not interested in opening an account or investing.
14. Thereafter, FT received an account statement which showed that on March 26, 2004, 100 shares of Pfizer had been purchased in an account in his name at Salomon Grey. FT promptly complained to Salomon Grey that he had not authorized the transaction.
15. Although the share price of the Pfizer stock had increased in value from the purchase price of \$34.030 to \$34.870 per share on April 2, 2004, FT did not pay for the unauthorized stock purchase.

16. On April 2, 2004, Salomon Grey liquidated the stock position in FT's account to cover the purchase price of the securities.
17. Hardy was the representative of record on FT's account.
18. In July 2004, Hardy executed an unauthorized transaction in the account of customer LH, a resident of Lincoln, Nebraska. Hardy contacted customer LH with a recommendation that LH purchase shares of stock.
19. Thereafter, LH received paperwork from Salomon Grey which indicated that an account had been opened in his name, and that securities had been purchased in the account. According to the account statement sent to LH, on July 20, 2004, 50 shares of Marvel Enterprises, Inc. common stock had been purchased in the account.
20. Upon receipt of the information from Salomon Grey, LH made an oral complaint to the firm, asserting that he had not authorized the opening of an account in his name, or the stock purchase.
21. On August 3, 2004, Salomon Grey liquidated the Marvel position in LH's account to cover the purchase price of the securities.
22. Hardy was the representative of record on LH's account.
23. In August 2004, Hardy executed an unauthorized transaction in the account of customer DG, a resident of Omaha, Nebraska. Hardy contacted customer DG with a recommendation that DG purchase shares of Marvel Enterprises, Inc. common stock.
24. Shortly after the phone call, DG received a trade confirmation which indicated that on August 27, 2004, 100 shares of Marvel had been purchased in an account in his name. Subsequently, DG (whose name was spelled incorrectly on the documents sent from

Salomon Grey) made an oral complaint to Salomon Grey, asserting that he had not authorized the stock purchase.

25. On September 2, 2004, Salomon Grey liquidated the Marvel position in DG's account to cover the purchase price of the securities. The share price of the Marvel stock had increased in value from the purchase price of \$14.19 per share, to \$14.97 per share at the time the position was sold out.
26. Hardy was the representative of record on DG's account.
27. Such acts, practice and conduct constitute distinct violations of NASD Conduct Rule 2110 and IM-2310-2 by Ronald E. Hardy, Jr.

THIRD CAUSE OF ACTION
(Failure to Supervise - Rules 2110 and 3010)

28. The Department realleges and incorporates by reference paragraphs 1-27 above.
29. During the period from April 1999 through March 2006, Robert A. Bellia, Jr. served as co-branch manager and co-owner of the Melville branch office of former FINRA member firm Salomon Grey. He was designated as a principal of the branch office. As such, Bellia was responsible for supervising the representatives in the branch office, including Hardy.
30. Bellia's duties at the firm included, among other things, reviewing and approving trade tickets; listening in on representatives' phone calls to monitor for sales practice issues; and completing monthly compliance questionnaires for certain registered representatives who, like Hardy, were on heightened supervision.

31. When Hardy registered with Salomon Grey, the firm's Compliance Department placed him on heightened supervision based on a history of unauthorized trading complaints while he was associated with other member firms. As part of the heightened supervision, Hardy was required to tape record all of his conversations with customers. Bellia, as Hardy's supervisor, was responsible for confirming that all trades executed by Hardy in customer accounts were authorized. Bellia was allowed by the firm to make the confirmations by reviewing the tape recordings of Hardy's calls with customers or by calling customers directly.
32. During the relevant time period, Bellia's supervision of Hardy included reviewing and approving the opening of new accounts for customers FT, LH, and EM.
33. Bellia also completed and signed at least four monthly *Special Compliance Supervision Checklists* for the months of June 2004, September 2004, October 2004, and November 2004, relating to his supervision of Hardy.
34. Bellia failed to follow-up on "red flags" indicating possible misconduct by Hardy. For example, as indicated in the Second Cause of Action, there were several "sell-outs" in Hardy's customer accounts involving the initial purchase in the accounts. Even though Salomon Grey's *Supervision Checklist* indicated that excessive sell-outs could be an indication of high-pressure sales tactics, Bellia failed to investigate why so many of Hardy's accounts had "sell-outs."
35. Bellia also failed to investigate why certain of Hardy's new customer accounts failed to pay for securities purchases that had appreciated in value, another indicator of possible misconduct by Hardy.

36. Furthermore, Bellia failed to adequately enforce Salomon Grey's heightened supervisory measures against Hardy. For example, Bellia failed to confirm, or to ensure that his co-branch manager confirmed, each of the customer transactions described in the Second Cause of Action.

37. Such acts, practice and conduct constitute distinct violations of NASD Conduct Rules 2110 and 3010 by Robert A. Bellia, Jr.

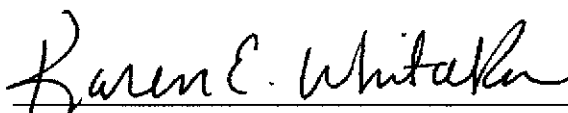
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed.
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

May 9, 2008
Date



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