

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CHRISTOPHER A. CORSO, SR.
(CRD No. 2414943),

Respondent.

Disciplinary Proceeding
No. 2006003673302

DEFAULT DECISION

Hearing Officer – SW

Date: June 3, 2008

Respondent was barred for violating: (i) NASD Conduct Rule 2110 and IM-1000-1 by willfully failing to disclose his criminal history and an unsatisfied tax lien on several Form U-4s and amendments; and (ii) NASD Conduct Rule 2110 and Procedural Rule 8210 by failing to appear for an on-the-record interview requested by FINRA staff pursuant to Rule 8210. No separate sanction was imposed for Respondent's violation of NASD Conduct Rules 3050(c) and 2110, when he failed to notify a FINRA member where he held an interest in a brokerage account that he was associated with another FINRA member firm.

Appearances

Karen E. Whitaker, Esq., Senior Regional Counsel, Dallas, TX, for the
Department of Enforcement.

No appearance by or for Respondent Christopher A. Corso, Sr.

DECISION

I. Introduction

On January 3, 2008, the Department of Enforcement ("Enforcement") filed the attached three-count Complaint against Respondent Christopher A. Corso, Sr. ("Respondent") alleging that he: (i) willfully failed to disclose on several Uniform Applications for Securities Industry Registration or Transfer ("Form U-4s") and

amendments thereto that he had been convicted of a third degree felony and that he had an unsatisfied tax lien, in violation of NASD Conduct Rule 2110 and IM-1000-1; (ii) failed to notify a FINRA member where he held an interest in a brokerage account that he was associated with another FINRA member firm, in violation of NASD Conduct Rules 3050(c) and 2110; and (iii) failed to appear for an on-the-record interview requested by FINRA staff pursuant to Procedural Rule 8210, in violation of NASD Conduct Rule 2110 and Rule 8210.

On March 28, 2008, Enforcement filed a Motion for Entry of Default Decision ("Motion"), supported by the Declaration of Karen E. Whitaker, Esq., Senior Regional Counsel in FINRA's Dallas, TX office, and three exhibits.¹ For the reasons set forth below, the Hearing Officer grants Enforcement's Motion.

II. Respondent's Default

On January 2, 2008, Enforcement served the Complaint and Notice of Complaint on Respondent, via first-class and certified mail, at his address of record in FINRA's Central Registration Depository ("CRD address"). (CX-1, p. 1; CX-2, p. 13; DECL at ¶ 31). On February 1, 2008, Enforcement served the Second Notice of Complaint and Complaint on Respondent, via first-class and certified mail, at his CRD address. (CX-3, p. 15; DECL at ¶ 32).

¹ Hereinafter, the statements in the Motion for Entry of Default Decision will be designated as "Motion, p.," the statements in the Whitaker Declaration will be designated as "DECL at ¶;" and Enforcement's exhibits will be designated as "CX-" with the appropriate page or paragraph number.

The Hearing Officer finds that Enforcement complied with Procedural Rule 9134(b)(1) by sending the mailings to Respondent's CRD address.² Accordingly, the Hearing Officer finds that Respondent received effective constructive notice of this proceeding and further finds that Respondent defaulted by failing to answer the Complaint.³

III. Findings of Fact and Conclusions of Law

A. Jurisdiction

Respondent entered the securities industry in October 1993. (Complaint at ¶ 1; CX-1, p. 13). Respondent was registered with several member firms from 1993 to 2004. (DECL at ¶ 5; CX-1, pp. 13-15). In May 2004, Respondent became associated with member firm CAC Capital Corporation ("CAC Capital") when a company of which he was the majority owner, Crown Group Holdings, Inc. ("Crown Group"), acquired CAC Capital. (Complaint at ¶ 1; DECL at ¶ 5). Respondent became registered as a general securities representative and principal of CAC Capital on May 28, 2004, and served as president of both CAC Capital and Crown Group. (Complaint at ¶ 1; CX-1, p. 4). On January 8, 2007, Respondent's registrations with CAC Capital were terminated. (Complaint at ¶ 1; CX-1, p. 3). Respondent is not currently associated with any FINRA member firm. (*Id.*).

Respondent remains subject to FINRA jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of the FINRA By-Laws, because (1) the

² See *Department of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at * 5 n.1 (NAC Dec. 9, 2003) (finding that respondent received constructive notice when the complaint was mailed to respondent's CRD address).

³ The following Findings of Fact and Conclusions of Law incorporate the allegations in the attached Complaint, pursuant to Rules 9215(f) and 9269, and *Notice to Members* 99-77.

Complaint was filed within two years after his association with CAC Capital was terminated, and (2) the Complaint charges him with misconduct while he was associated with a FINRA member, and failures to provide information requested pursuant to Rule 8210 during the period of retained jurisdiction.

B. Respondent Failed to Disclose his Criminal History and Unsatisfied Tax Lien on Form U-4s and Amendments

Count one of the Complaint alleges that, from March 2002 to June 2006, Respondent willfully failed to disclose on his Form U-4s that the Internal Revenue Service had filed a tax lien against him on February 21, 2002, which lien was not released until January 25, 2006. (Complaint at ¶¶ 4-5). Respondent answered “no” to Question 14M on Form U-4s dated 2002, 2003, and 2004, which asked “Do you have any unsatisfied judgments or liens against you?” (Complaint at ¶ 6; CX-1, pp. 23-24). He also failed to disclose the tax lien on 11 Form U-4 amendments that were filed during the period. (*Id.*).

In addition, on January 22, 2004, Respondent was convicted of a third degree felony for driving while intoxicated. (Complaint at ¶ 7). Nevertheless, on his May 28, 2004 Form U-4 and on nine subsequent amendments, Respondent responded “no” to Question 14(A)(1)(a), which asked “Have you ever been convicted of or plead guilty or nolo contendere (no contest) in a domestic or foreign court to a felony.” (Complaint at ¶ 8).

The Securities and Exchange Commission has held that misrepresentations on an application for registration violate the standards of just and equitable principles of trade

of NASD Conduct Rule 2110 to which every person associated with any FINRA member is held.⁴

Article V, Section 2(a)(2) of the FINRA By-Laws provides, in part, that any application for registration with FINRA shall contain such other reasonable information with respect to the applicant as FINRA may require. Article V, Section 2(c) of the FINRA By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments, via electronic process or such other process as FINRA may prescribe to the original application.

IM-1000-1 provides that “[t]he filing with [FINRA] of information with respect to membership or registration as a Registered Representative which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade. . . .”

The allegations in the first cause of the Complaint and the evidence submitted by Enforcement are sufficient to establish that Respondent willfully provided false responses on his Form U-4s and the Form U-4 amendments, in violation of NASD Conduct Rule 2110 and IM-1000-1.⁵

C. Respondent Violated NASD Conduct Rules 3050(c) and 2110

Count two of the Complaint alleges that on November 11, 2005, Respondent opened a securities account with a brokerage firm, on behalf of Crown Group, signing

⁴ *Robert E. Kauffman*, Exch. Act Rel. No. 33,219 (Nov. 18, 1993), *aff’d*, *Robert E. Kauffman v. SEC*, 40 F.3d 1240 (3rd Cir. 1994).

⁵ *Christopher LaPorte*, Exch. Act Rel. No. 39,171, 1997 SEC LEXIS 2058, at *8 (Sept. 30, 1997) (finding willfulness when respondent knew or should have known under the particular facts and circumstances that his conduct was improper).

the new account form. (Complaint at ¶¶ 11-13). Respondent failed to provide written notice of his association with CAC Capital to the brokerage firm. (Complaint at ¶¶ 14-15). Specifically, Respondent falsely answered “no” to two questions on the Crown Group’s new account form that would have disclosed to the brokerage firm his affiliation with member firm CAC Capital. (Complaint at ¶ 14).

NASD Conduct Rule 3050(c) provides, in part, that “a person associated with a member, prior to opening an account or placing an initial order for the purchase or sale of securities with another member, shall notify both the employer member and the executing member, in writing, of his or her association with the other member.” Subsection (e) of Rule 3050 provides that the rule applies to an account “in which an associated person has a financial interest or . . . discretionary authority.”

The allegations in the second cause of the Complaint and the evidence submitted by Enforcement are sufficient to establish that Respondent held an interest in an account⁶ at a FINRA member firm and failed to notify that firm of his association with CAC Capital, in violation of NASD Conduct Rules 3050(c) and 2110.⁷

D. Respondent Failed to Appear for an On-the-Record Interview

The third cause of the Complaint alleges that Respondent failed to appear for an on-the-record interview. (Complaint at ¶¶ 18-25). On December 27, 2006, the FINRA staff sent a certified letter to Respondent at his CRD address, requesting that Respondent

⁶ The Hearing Officer finds that Respondent had a financial interest in, and discretionary authority over, Crown Group’s account because he was a 75% owner of Crown Group and the signatory on the account.

⁷ *Dist. Bus. Conduct Comm. for District No. 3 v Brian Prendergast*, Complaint No. C3A960033, 1999 NASD Discip. LEXIS 19, at *60 (NAC, July 8, 1999) *aff’d*, *Brian Prendergast*, Exch. Act Rel. No. 44,632, 2001 SEC LEXIS 1533 (Aug. 1, 2001). (Stating that failure to make required disclosure constituted “a violation of Conduct Rule 3050” and “conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Conduct Rule 2110”).

appear for an on-the-record interview on January 16, 2007, pursuant to Rule 8210.⁸ (Complaint at ¶ 23). Respondent failed to appear. (Complaint at ¶ 24). The Hearing Officer finds that Respondent is deemed to have received the request sent to his CRD address pursuant to Rule 8210(d).

Failure to comply with a Rule 8210 request to appear for an on-the-record interview is a serious violation because it subverts FINRA's ability to perform its regulatory responsibilities.⁹

The allegations in the third cause of Complaint and the evidence submitted by Enforcement are sufficient to establish that Respondent violated NASD Conduct Rule 2110 and Procedural Rule 8210 by failing to appear for an on-the-record interview as requested by FINRA staff.¹⁰

IV. Sanctions

A. Respondent Willfully Failed to Disclose Unsatisfied Tax Lien and Criminal History on Form U-4s and Amendments

For filing a false, misleading, or inaccurate Form U-4, the FINRA Sanction Guidelines recommend a fine ranging from \$2,500 to \$50,000, as well as the consideration of a 5 to 30 business-day suspension in all capacities.¹¹ In egregious cases,

⁸ On three prior occasions, Respondent requested that his on-the-record testimony be rescheduled. (Complaint at ¶¶ 18-22).

⁹ See, e.g., *Richard J. Rouse*, Exch. Act Rel. No. 32,685, 1993 SEC LEXIS 1831, at *7 (1993); *Joseph G. Chiulli*, Exch. Act Rel. No. 42,359, 2000 SEC LEXIS 112, at *16 (Jan. 28, 2000) (noting that Rule 8210 provides a means for FINRA to conduct its investigations effectively, and emphasizing that FINRA members and associated persons must fully cooperate with requests for information).

¹⁰ See *Dep't of Enforcement v. Baxter*, No. C07990016, 2000 NASD Discip. LEXIS 3, at **21, 25 (NAC Apr. 19, 2000).

¹¹ *FINRA Sanction Guidelines*, p. 73 (2007), available at <http://www.finra.org/web/groups/enforcement/documents/enforcement/p011038.pdf>.

such as those involving habitual misconduct, the Guidelines suggest a longer suspension of up to two years, and possibly even a bar.¹²

A Form U-4 is fundamental to the business and integrity of the securities industry. It is “used by all the self-regulatory organizations, including [FINRA], state regulators, and broker-dealers to monitor and determine the fitness of securities professionals,”¹³ and “serves as a vital screening device for hiring firms and [FINRA] against individuals with ‘suspect history.’”¹⁴

In this case, Enforcement requested that the Hearing Officer bar Respondent for repeatedly and willfully failing to disclose his unsatisfied tax lien and criminal history. Respondent’s actions in failing to disclose material information on three Form U-4s and at least 11 Form U-4 amendments constitute habitual misconduct.

Accordingly, the Hearing Officer accepts Enforcement’s recommendation. The Hearing Officer bars Respondent for repeatedly and willfully failing to disclose on his Form U-4s and Form U-4 amendments the unsatisfied tax lien and his felony conviction, in violation of NASD Conduct Rule 2110 and IM-1000-1.

B. Respondent Failed to Appear for an On-the-Record Interview

For failing to appear for an on-the-record interview as requested by FINRA staff pursuant to Procedural Rule 8210, Enforcement recommended that Respondent be barred. The FINRA Sanction Guidelines provide that a bar should be standard when an

¹² *Id.* at 74.

¹³ *Rosario R. Ruggiero*, Exch. Act Rel. No. 37,070, 1996 SEC LEXIS 990, at *8-9 (Apr. 5, 1996).

¹⁴ *Dist. Bus. Conduct Comm. v. Prewitt*, Complaint No. C07970022, 1998 NASD Discip. LEXIS 37, at *8 (NAC Aug. 17, 1998). *See also*, *Thomas R. Alton*, Exch. Act Rel. No. 36,058, 1995 SEC LEXIS 1975, at *4 (Aug. 4, 1995).

individual respondent does not respond in any manner to a request issued pursuant to Rule 8210.¹⁵ The record does not indicate the existence of any mitigating factors that would warrant a lesser sanction.

Accordingly, the Hearing Officer accepts Enforcement's recommendation and bars Respondent for failing to appear for an on-the-record interview.

C. No Separate Sanction Imposed for Respondent's Failure to Disclose his Association with a FINRA Member

Because the Hearing Officer barred Respondent for his Rule 2110 violation and his Rule 8210 violation, the Hearing Officer will impose no separate sanction for Respondent's violation of NASD Conduct Rules 3050(c) and 2110, when he failed to notify a FINRA member where he had a brokerage account that he was associated with another FINRA member firm.

V. Order

Respondent Christopher A. Corso, Sr. is barred from associating with any FINRA member firm in any capacity for violating: (i) NASD Conduct Rule 2110 and IM-1000-1 by willfully failing to disclose an unsatisfied tax lien and criminal history on several Form U-4s and amendments; and (ii) NASD Conduct Rule 2110 and Procedural Rule 8210 by failing to appear for an on-the-record interview requested by FINRA staff pursuant to Rule 8210. The bars will become effective immediately upon this Default

¹⁵ *Guidelines* at 35.

Decision becoming the final disciplinary action of FINRA.



Sharon Witherspoon

Hearing Officer

Dated: Washington, DC

June 3, 2008

Copies to:

Christopher A. Corso, Sr. (via FedEx and first-class mail)

Karen E. Whitaker, Esq. (via electronic and first-class mail)

Mark P. Dauer, Esq. (via electronic and first-class mail)

David R. Sonnenberg, Esq. (via electronic and first-class mail)

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**CHRISTOPHER ANTHONY CORSO, SR.
(CRD No. 2414943),**

RESPONDENTS.

**DISCIPLINARY PROCEEDING
No. 2006003673302**

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

Christopher Corso violated willfully failed to make required disclosures on his Form U4; failed to notify the FINRA member firm where he had an outside brokerage account that he was associated with a FINRA member firm; and failed to appear for on-the-record testimony requested pursuant to NASD Rule 8210.

JURISDICTION

1. Christopher Anthony Corso, Sr. entered the securities industry in October 1993, when he associated with a FINRA member firm. He associated with nine other member firms before registering with CAC Capital Corporation in May 2004, when a company that he majority-owned, Crown Group Holdings, Inc., purchased CAC Capital. During the relevant time period, Corso served as president of both CAC Capital and Crown Group. During his career in the securities industry, Corso obtained Series 7, 24 and 63 securities licenses. His

registration with CAC Capital was terminated on January 8, 2007, and he has not since registered with another FINRA member firm.

2. FINRA retains jurisdiction to file this complain against Corso pursuant to Article V, Section 4 of the FINRA By-Laws, which provides that FINRA shall retain jurisdiction over a formerly associated person for two years after the effective date of termination of registration. Based on his termination dated from CAC Capital, FINRA retains jurisdiction over Corso until January 7, 2009.

FIRST CAUSE OF ACTION

(Willful Failure to Disclose Material Information on Form U4 – NASD Rule 2110 and IM-1000-1)

3. The Department realleges and incorporates by reference paragraphs 1-2 above.
4. During the period from March 2002 to June 2006, Corso willfully failed to disclose material information on his Form U4.
5. On February 21, 2002, the Internal Revenue Service filed a federal tax lien in the amount of \$8,289.39 against Corso for unpaid taxes. The lien was not released until January 25, 2006.
6. During the period from March 23, 2002 to January 24, 2006, Corso should have answered “yes” to Question 14M on the Form U4, which asks, “*Do you have any unsatisfied judgments or liens against you?*” Corso answered “no” to the question on Form U4 filings on July 9, 2002, January 2, 2003 and May 28, 2004. He also failed to disclose the tax lien on eleven Form U4 amendments.

7. On January 22, 2004, Corso was convicted of a third degree felony for driving while intoxicated.
8. Beginning on February 21, 2004, Corso should have answered "yes" to Question 14A(1)(a) on the Form U4, which asks "Have you ever been convicted of or plead guilty or nolo contendere ("no contest") in a domestic or foreign court to a felony?" Instead, Corso answered "no" to the question on a Form U4 filing on May 28, 2004. He also failed to disclose the conviction on nine subsequent Form U4 amendments.
9. Such acts, practices, and course of conduct constitute separate and distinct violations of NASD Conduct Rule 2110 and IM-1000-1 by Christopher Anthony Corso, Sr.

SECOND CAUSE OF ACTION

(Failure to Disclose Affiliation with FINRA Member Firm – NASD Rules 2110 and 3050)

10. Paragraphs 1-9 above are incorporated herein by reference.
11. During the period from November 2005 to April 2006, Corso failed to disclose his association with CAC Capital to the FINRA member firm at which he maintained an outside brokerage account.
12. On or about November 11, 2005, Corso opened a brokerage account at a FINRA member firm on behalf of Crown Group Holdings, Inc., of which Corso is a 75% owner.
13. Corso signed the new account form for the Crown Group account, and was identified as the primary account holder.

14. A section of the new account form entitled "Participant Information" asked, "*Are you an employee of another Broker Dealer? If yes, give the name of the broker-dealer.*" Corso provided a "no" answer to the question. The new account form further asked, "*Are you or any member of your immediate family affiliated with or employed by a member of a Stock Exchange or the National Association of Securities Dealers? (Employer authorization is required to open this account.) If yes, what is the affiliation?*" Again, a "no" response was given to the question.
15. Corso did not notify, in writing or otherwise, the member firm where the Crown Group account was maintained of his association with CAC Capital.
16. Such acts, practices, and course of conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3050 by Christopher Anthony Corso, Sr.

THIRD CAUSE OF ACTION

(Failure to Provide Testimony - Rules 2110 and 8210)

17. Paragraphs 1-17 above are incorporated herein by reference.
18. By letter dated October 19, 2006, FINRA staff requested, pursuant to NASD Rule 8210, that Corso appear and provide sworn testimony regarding the allegations in Causes One and Two above. Corso was required to appear at FINRA's Dallas District Office on November 14, 2006. The letter was sent via regular and certified mail to Corso at his CRD address of record: [REDACTED] ("CRD address"). Neither of the letters was returned to the Dallas District Office.

19. On November 10, 2006, Corso's attorney faxed a letter to FINRA staff requesting a continuance of Corso's testimony from November 14, 2006 to November 21, 2006. By letter dated November 10, 2007, FINRA staff granted the request and rescheduled Corso's testimony, pursuant to Rule 8210, to November 21, 2006.
20. On November 20, 2006, the staff received a fax from Corso which stated that he would be unable to provide his testimony on November 21, 2006, due to unforeseen circumstances. Corso indicated that he would not be available for testimony until after December 4, 2006.
21. By letter dated November 20, 2006, sent via overnight mail, facsimile and U.S. mail to Corso at his CRD address and to his attorney's office, the staff denied Corso's request to postpone his testimony and requested, pursuant to Rule 8210, that he appear as scheduled. Notwithstanding the staff's denial, Corso failed to appear as requested on November 21, 2006.
22. On December 11, 2006, Corso sent a fax to FINRA staff requesting that his testimony be rescheduled. By letter dated December 14, 2006, the staff rescheduled Corso's testimony, pursuant to NASD Rule 8210, to December 18, 2006. Although Corso appeared on December 18, 2006 as requested, he refused to testify without his attorney being present. According to Corso, his attorney informed him the day before his scheduled testimony that he would not be able to accompany Corso to the testimony.
23. By letter dated December 27, 2006, FINRA staff again requested, pursuant to NASD Procedural Rule 8210, that Corso appear and provide on-the-record testimony. The letter requested that Corso appear at FINRA's Dallas District Office on January 16, 2007. The letter was sent via regular and certified mail to Corso at his CRD address and to his attorney's office. None of the letters sent via regular mail was returned to the district office.

The letter sent via certified mail to Corso's CRD address was not returned to the district office. According to U.S. Postal Service records, the letter was "Unclaimed."

24. Corso did not appear as requested on January 16, 2007, and, to date, has not provided the requested testimony.
25. Corso's failure to appear on January 16, 2007, constituted a violation of NASD Procedural Rule 8210 and Conduct Rule 2110.

RELIEF REQUESTED

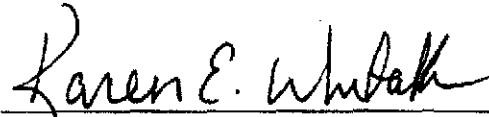
WHEREFORE, the Department respectfully requests that the Panel:

- 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.
- C. make specific findings that Respondent's conduct, as alleged in the First Cause of Action, was willful; that the omitted information was material; and, the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date:

January 2/2008



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