

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

FREDRICK ANTHONY WOODS, JR.
(CRD No. 4602685),

Respondent.

Disciplinary Proceeding
No. 2006005689501

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

January 23, 2008

The Respondent is barred from associating with any member firm in any capacity for falsifying loan application documents, in violation of NASD Conduct Rule 2110, and for failing to fully respond to requests for information, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

Appearances

Karen E. Whitaker, Regional Counsel, Dallas, TX (Mark P. Dauer, Of Counsel) for the Department of Enforcement.

No appearance by or on behalf of Fredrick A. Woods, Jr.

DECISION

I. Introduction

On September 27, 2007, the Department of Enforcement ("Enforcement") filed the attached Complaint against Fredrick A. Woods, Jr. ("Woods" or the "Respondent"). The Complaint contains two causes of action. The first charges that Woods violated NASD Conduct Rule 2110 by falsifying loan application documents for two customers. The second cause of action charges that Woods violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by failing to respond fully to requests for information FINRA staff sent him in connection with

FINRA's investigation into the allegations that he falsified the loan documentation.¹ Woods did not answer or otherwise respond to the Complaint.

On December 13, 2007, Enforcement filed a Motion for Entry of Default Decision, which is supported by the Declaration of Karen E. Whitaker and three exhibits. Woods did not reply to the motion.

II. Findings of Fact and Conclusions of Law

A. Respondent's Default

The Hearing Officer finds that Enforcement properly served the Respondent with the Complaint by mailing the Complaint and the First and Second Notices of Complaint to his most current residential address shown in the Central Registration Depository (the "CRD address") by first-class and certified mail. Enforcement mailed the First Notice of Complaint on September 26, 2007, and the Second Notice of Complaint on October 25, 2007.² The receipts for the certified mailings show that each was delivered to the CRD address.³

To date, Woods has not filed an Answer with the Office of Hearing Officers or otherwise responded to the Complaint. Accordingly, the Hearing Officer finds Woods in default and, pursuant to Procedural Rules 9215(f) and 9269(a)(2), deems the allegations in the attached Complaint admitted.⁴

¹ The rules governing disciplinary proceedings brought by the Financial Industry Regulatory Authority (FINRA), which include NASD Conduct and Procedural Rules, are available at www.finra.org/rules.

² Exhibits CX-2 and CX-3.

³ Exhibit CX-2, at 13, and Exhibit CX-3, at 15.

⁴ *Department of Enforcement v. Reynolds Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (NASD Procedural Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) (quoting *Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998)).

B. Jurisdiction

Woods entered the securities industry in October 2002 in a non-registered capacity. In November 2003 he registered as a General Securities Representative (Series 7) through American Express Financial Advisors, Inc.⁵ Most recently, Woods was registered as a General Securities Representative through FINRA member firm Wachovia Securities, LLC ("Wachovia") from January 27, 2005, until May 25, 2006.⁶ The Respondent also was associated with Wachovia Bank, N.A. during his tenure at Wachovia Securities. Woods has not since been associated with a FINRA member firm or registered with FINRA.

Although Woods is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of the FINRA By-Laws, because: (1) the Complaint was filed within two years following the termination of his registration with FINRA; and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member firm and with failing to respond to FINRA's requests for information made during the two-year period following his registration termination.

C. Falsification of Documents

The First Cause of Action alleges that in March 2006, while he was registered with Wachovia, Woods submitted loan application documents to Wachovia Bank on behalf of customers W.R. and P.R. The Complaint further alleges that Woods photocopied W.R. and P.R.'s signatures from their bank signature cards onto the loan documents before he submitted them to Wachovia Bank. According to the Complaint, Woods acted without W.R.'s and P.R.'s

⁵ Exhibit CX-1 (CRD record).

⁶ Exhibit CX-1 at 3. According to Respondent's CRD record, Wachovia discharged him on May 25, 2006, because he signed bank loan documents for a client without authorization, in connection with a single bank loan transaction.

knowledge, consent, or authorization. During the investigation of Wood's conduct by Wachovia Bank and FINRA, he admitted that he improperly copied his customers' signatures onto their loan application documents in violation of the bank's policies.⁷

The Hearing Officer finds the allegations in the First Cause of Action sufficient to establish that Woods falsified loan application documents and thereby violated NASD Conduct Rule 2110, which requires that FINRA members shall "observe high standards of commercial honor and just and equitable principles of trade."⁸

D. Failure to Respond to Requests for Information

The Second Cause of Action alleges that Woods failed to fully respond to three separate requests for information issued by FINRA staff pursuant to, and in accordance with, Procedural Rule 8210. The staff issued the requests to Woods during the course of its investigation regarding the falsification of loan documents submitted on behalf of customers W.R. and P.R.

FINRA staff sent Woods the first request on October 18, 2006, by first-class mail to his CRD address. The Respondent faxed his response to the staff on November 15, 2006, admitting that he submitted the falsified loan documents. The Respondent further acknowledged that his conduct violated Wachovia's policies.

On January 31, 2007, the staff sent Woods a second request for information pursuant to Rule 8210. The second request asked Woods to clarify whether he "personally caused the customers' signatures to appear on the bank loan documents."⁹ The staff sent the second request by first-class and certified mail to Respondent's CRD address. The receipt for the certified

⁷ Whitaker Decl. ¶ 11.

⁸ Conduct Rule 0115 makes all NASD rules, including Conduct Rule 2110, applicable to both FINRA members and all persons associated with FINRA members.

⁹ Whitaker Decl. ¶ 14.

mailing was signed by "Josh Ballsdale."¹⁰ Woods did not respond to the second request for information.

On February 14, 2006, the staff sent Woods a third request for information pursuant to Procedural Rule 8210. The staff sent the third request to the CRD address by first-class and certified mail. "Mahasa Bashardo" signed the receipt for the certified mailing.¹¹ Woods did not respond to the third request for information.

The Hearing Officer finds that the allegations in the Complaint are sufficient to establish for purposes of this proceeding that Woods violated NASD Procedural Rules 8210 and 2110 by failing to respond completely to the staff's requests for information.¹²

III. Sanctions

A. Falsification of Customer Loan Documents

The FINRA Sanction Guidelines ("Guidelines") for forgery or falsification of records recommend a fine of \$5,000 to \$100,000 and a suspension of up to two years. In egregious cases, the Guidelines recommend that a bar be considered.¹³ Considering the nature of the documents that Woods falsified, the lack of mitigation, and Wood's admission that his actions violated Wachovia Bank's policies, the Hearing Officer concludes that this is an egregious case. There is no evidence that Woods acted with the mistaken belief that the customers had authorized him to photocopy their signatures onto their loan application. Accordingly, the Hearing Officer

¹⁰ *Id.* ¶ 15.

¹¹ *Id.* ¶ 16.

¹² *Department of Enforcement v. Baxter*, No. C07990016, 2000 NASD Discip. LEXIS 3, at *25 (N.A.C. Apr. 19, 2000); *Joseph P. Hannan*, Exchange Act Release No. 40438, 1998 SEC LEXIS 1955, at *9 (Sept. 14, 1998).

¹³ FINRA Sanction Guidelines 39 (2007), available at <http://www.finra.org/web/groups/enforcement/documents/enforcement/p011038.pdf>.

concludes that a bar is the appropriate sanction for this violation to protect the public from future harm.

B. Failure to Respond Completely to Requests for Information

The Guidelines recommend a bar where a respondent fails to respond in any manner to a request for information issued pursuant to Procedural Rule 8210.¹⁴ Where mitigation exists, the Guidelines recommend suspending the individual in any or all capacities for up to two years.¹⁵ In either case, the Guidelines recommend a fine of \$25,000 to \$50,000.¹⁶

The Hearing Officer concludes that a bar is the appropriate sanction for Woods' failure to respond in any manner to the staff's second and third requests for information. In these requests, the staff requested specific information in follow up to Woods' admissions that he had submitted false loan documentation to Wachovia Bank. This information was important to the staff's investigation into Woods' role in falsifying and submitting the false loan documentation, as well as its determination of whether any other registered individuals might have participated in preparing the falsified documents. Furthermore, Woods' conduct had the potential for customer harm and Woods' monetary benefit, as well as harm to Wachovia Bank.¹⁷ Accordingly, the Hearing Officer will bar Woods from associating with any FINRA member in any capacity for violating Procedural Rule 8210 and Conduct Rule 2110.

IV. Order

Fredrick A. Woods, Jr. is barred from associating with any member firm in any capacity for falsifying loan documents, in violation of Conduct Rule 2110, and for failing to respond to

¹⁴ Guidelines 35.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ See Guidelines at 7 (Principal Considerations in Determining Sanctions, No. 16 and No. 17).

two requests for information, in violation of Procedural Rule 8210 and Conduct Rule 2110. The bars will become effective immediately if this Default Decision becomes FINRA's final disciplinary action in this proceeding.

A handwritten signature in black ink, appearing to read 'Andrew H. Perkins', written over a horizontal line.

Andrew H. Perkins
Hearing Officer

Copies to:

Fredrick A. Woods, Jr. (by FedEx, next day delivery, and first-class mail)
Karen E. Whitaker, Esq. (by electronic and first-class mail)
Mark P. Dauer, Esq. (by electronic and first-class mail)
David R. Sonnenberg, Esq. (by electronic and first-class mail)

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**FREDRICK ANTHONY WOODS, JR.
CRD No. 4602685**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2006005689501**

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. This matter involves a registered representative who falsified, or caused to be falsified, bank customer loan documents, and failed to completely respond to NASD requests for information.

JURISDICTION

2. Frederick Anthony Woods, Jr. (Woods or Respondent) entered the securities industry in November 2002, when he associated with a FINRA (f.k.a. National Association of Securities Dealers or NASD) member firm. He registered with two other member firms before associating with Wachovia Securities, LLC (Wachovia Securities) in February 2005. During his tenure with Wachovia Securities, Woods was also employed by Wachovia Bank, N.A. (Wachovia Bank). On May 25, 2006, Wachovia Securities terminated his employment, and

since then, Woods has not registered with another FINRA member firm. During his career in the securities industry, Woods obtained Series 7 and 66 securities licenses.

3. Although Woods is not currently associated with a FINRA member firm, he remains subject to the jurisdiction of FINRA until May 24, 2008, pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

FIRST CAUSE OF ACTION
(Falsification of Documents (Rule 2110))

4. The Department realleges and incorporates by reference paragraph 1-3 above.
5. In approximately March 2006, Woods consulted with Wachovia Bank customers W.R. and P.R. regarding obtaining a prime equity line of credit.
6. On March 30, 2006, Woods submitted completed and signed loan application documents to Wachovia Bank on behalf of W.R. and P.R.
7. Prior to submitting the loan documents to Wachovia Bank, Woods falsified, or caused to be falsified, the documents by affixing, or causing to be affixed, the signatures of W.R. and P.R., which were copied from their bank signature cards, to the loan application documents without the customers' knowledge, authorization, or consent.
8. Such acts, practice and conduct constitute distinct violations of NASD Conduct Rule 2110 by Frederick Anthony Woods, Jr.

SECOND CAUSE OF ACTION
(Failure to Completely Respond (Rule 8210))

9. The Department realleges and incorporates by reference paragraphs 1-8 above.
10. By letter dated October 18, 2006, NASD staff requested, pursuant to Procedural Rule 8210, that Woods provide information regarding the allegations in the first cause of action. The October 18th letter was sent via regular mail to Woods at his last known CRD residential address ("CRD address"): [REDACTED]
[REDACTED]
11. On November 15, 2006, the staff received a faxed response from Woods wherein he admitted that he "submitted loan documents with copies of a bank customer's signature card on a bank line of credit." He further stated that this conduct was a violation of Wachovia's policies.
12. By letter dated January 31, 2007, FINRA staff requested, pursuant to Rule 8210, that Woods provide information to clarify whether he personally had caused the customers' signatures to appear on the bank loan documents. The letter was sent, via regular and certified mail, to Woods at his CRD address.
13. The receipt card for the letter sent via certified mail was returned to the district office on February 6, 2007, and reflected the signature of "Josh Ballsdale." The letter sent via regular mail was not returned to the district office. The staff requested a response by February 12, 2007.
14. By letter dated February 14, 2007, FINRA staff made another request, pursuant to Procedural Rule 8210, for Woods to provide the information requested in the

January 31, 2007, letter. The February 14th letter was sent, via regular and certified mail, to Woods at his CRD address.

15. The receipt card for the letter sent via certified mail was returned to the district office and reflected the partially legible signature of "Mahasa Bashardo..." The letter sent via regular mail was not returned to the district office. The staff requested a response by February 28, 2007.
16. To date, Woods has failed to provide all of the requested information.
17. During its investigation, FINRA staff found no evidence of an alternate address for Woods.
18. Such acts, practice and conduct constitute distinct violations of NASD Conduct Rules 2110 and 8210 by Frederick Anthony Woods, Jr.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD 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 NASD Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: September 26, 2007



Karen E. Whitaker, Regional Counsel
Andrew A. Favret, Associate Vice President
and Regional Chief Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
Phone: 972-716-7608; Fax: 972-716-7612

Of Counsel

Rory C. Flynn
Vice President & Chief Litigation Counsel
FINRA Department of Enforcement
1801 K Street, N.W., Suite 800
Washington, D.C. 20006
202-974-2974; Fax: 202-721-8318

Mark P. Dauer
Deputy Chief Litigation Counsel – Regions
FINRA Department of Enforcement
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163
504-522-6527; Fax: 504-522-4077