

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Market Regulation,

Complainant,

v.

Robert Marcus Lane (CRD No. 1411773),

and

Jeffrey Griffin Lane (CRD No. 1663977),

Respondents.

DISCIPLINARY PROCEEDING
No. 20070082049

COMPLAINT

The Department of Market Regulation alleges:

SUMMARY

1. From October 2006 to May 2007, Robert Marcus Lane ("Marcus Lane"), the majority owner of Greenwich High Yield LLC ("GHYL"), engaged in fraudulent interpositioning and charged excessive and fraudulent markups totaling more than \$322,000 to two customers of his firm in 12 corporate bond transactions. In each of the 12 transactions, Marcus Lane followed the same fraudulent interpositioning scheme. He purchased distressed bonds from a broker-dealer on behalf of GHYL, and then immediately sold the bonds at a markup to an entity he owned and controlled. He then caused GHYL to repurchase the same bonds from the entity, typically at an additional markup, and then immediately caused GHYL to sell the bonds to GHYL's customer, typically at a third undisclosed markup, in addition to the

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two undisclosed markups that were already included in the price to the customer. Marcus Lane did not disclose either the interpositioning scheme or the markups on the bonds to his customers. By engaging in such misconduct, Marcus Lane willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5, and further violated NASD Rules 2110, 2120, 2320(b), 2440, and IM-2440.

2. At all times relevant to this Complaint, Marcus Lane's brother Jeffrey Lane ("Jeffrey Lane") held the positions of Financial Operations Principal ("FINOP") and Chief Compliance Officer ("CCO") at GHYL. Although Jeffrey Lane had the responsibility for doing so, he failed to ensure that GHYL's written supervisory procedures included reasonable supervisory procedures applicable to markups and interpositioning and failed to reasonably supervise Marcus Lane. By failing to reasonably discharge his supervisory responsibilities, Jeffrey Lane violated NASD Rules 2110 and 3010.

3. In 2009, Respondents also failed to timely respond to certain information requests that Market Regulation served on Respondents during the course of its investigation. By failing to provide timely responses to Market Regulation's information requests, Respondents violated FINRA Rules 8210 and 2010.

RESPONDENTS AND JURISDICTION

4. Marcus Lane, age 53, first became registered with FINRA on April 18, 1995. At all times relevant to this Complaint, Marcus Lane was the 80% owner, Chairman, and Chief Executive Officer, of former FINRA member firm GHYL. Marcus Lane terminated his FINRA registration effective April 24, 2009.

5. Jeffrey Lane, age 51, first became registered with FINRA on April 18, 1995. At all times relevant to this Complaint, Jeffrey Lane was the 20% owner, FINOP, and CCO of GHYL. Jeffrey Lane terminated his FINRA registration effective April 24, 2009.

6. Respondents have not been associated with a FINRA member firm since April 24, 2009. However, they remain subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (a) the Complaint was filed within two years after the date upon which they ceased to be associated with a FINRA member, and (b) the Complaint charges them with misconduct committed while they were associated with a FINRA member, and with failing to respond to FINRA requests for information during the two-year period after the date upon which they ceased to be associated with a FINRA member.

BACKGROUND

7. At all times relevant to this Complaint, Marcus Lane worked from his home office in Florida. He bought and sold distressed bonds on behalf of GHYL. Marcus Lane determined the price and corresponding markups for each transaction that GHYL executed, including the transactions at issue in this Complaint. Marcus Lane was GHYL's only trader during the relevant period.

8. After Marcus Lane executed a transaction, he telephoned the trade details to Jeffrey Lane who worked in GHYL's Connecticut office. Jeffrey Lane prepared the order tickets and entered the transactions in GHYL's trade blotter. After he prepared the order tickets, Jeffrey Lane reviewed the markups that Marcus Lane charged to the customers.

9. Marcus Lane also owned 100 percent of High Yield Partners ("HYP") and High Yield Partners Income ("HYPI," and together with HYP, the "High Yield entities"), and

controlled all of the transactions engaged in by the High Yield entities. Prior to October 2006, Marcus Lane opened two accounts at GHYL in the High Yield entities' names.

FIRST CAUSE OF ACTION

Fraud

(Willful Violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and Violations of NASD Rules 2120 and 2110 by Respondent Marcus Lane)

10. Market Regulation realleges and incorporates by reference the preceding paragraphs.

11. In 12 corporate bond transactions (the "subject transactions") from October 2006 through May 2007, Marcus Lane interpositioned either HYP or HYPI between GHYL and GHYL's customer.

12. Marcus Lane began each of the 12 subject transactions by causing GHYL to purchase bonds from another broker-dealer. Immediately upon purchasing the bonds from the broker-dealer, Marcus Lane caused GHYL to sell the bonds at a markup to either HYP or HYPI. After Marcus Lane placed the bonds in the High Yield entity's account at GHYL, he caused GHYL to repurchase the same bonds, typically at a second markup, from the High Yield entity that had purchased the bonds. Marcus Lane then immediately caused GHYL, typically at a third markup, to sell the bonds to one of GHYL's customers.

13. For 11 of the 12 subject transactions, the time between when Marcus Lane initially purchased the bonds from another broker-dealer to when he finally sold them to GHYL's customers was one hour or less. For the other subject transaction, the time from the initial purchase of the bonds by GHYL from another broker-dealer to the final sale to GHYL's customer was less than two hours.

14. Marcus Lane did not disclose to the two customers that GHYL had repurchased the bonds from one of the High Yield entities or the amount of the markups that resulted from interpositioning the High Yield entities.

15. As a result of Marcus Lane's interpositioning scheme, the GHYL customers unknowingly paid more than they should have for the bonds. At most, the customers should have paid the price the High Yield entities paid for the bonds when they purchased the bonds from GHYL. Instead, the customers paid total undisclosed markups that ranged from 6.45 percent to 40.93 percent. For example:

- i. on October 20, 2006, at 12:02 p.m., GHYL purchased 1020 Werner bonds (CUSIP 950761AC0) from another broker-dealer for the price of 8.6875, and then immediately sold the same bonds to HYP for the price of 9.25; on the same day at 12:41 p.m. GHYL bought the same bonds back from HYP for the price of 9.75, and then immediately sold the same bonds to its customer for the price of 10, resulting in GHYL charging its customer a markup of 15.11%, for a total profit to GHYL and HYP of \$13,387.50.
- ii. on March 29, 2007, at 2:38 p.m., GHYL purchased 4052 Tower bonds (CUSIP EC3434452) from another broker-dealer for the price of 6.425, and then immediately sold the same bonds to HYP for the price of 6.70; on the same day at 3:00 p.m. GHYL bought the same bonds back from HYP for the price of 7.38, and then immediately sold the same bonds to its customer for the price of 7.71, resulting in GHYL charging its customer a markup of 20%, for a total profit to GHYL and HYP of \$52,068.20.

Each of the 12 subject transactions and the aggregate markups charged to the two customers are set forth in Exhibit A, attached hereto and incorporated herein by reference.

16. By interpositioning the High Yield entities between GHYL and GHYL's customers, Marcus Lane profited from two or three markups instead of one. The 12 subject transactions resulted in a profit totaling more than \$322,000 for GHYL and the High Yield entities. Because Marcus Lane was 80 percent owner of GHYL and 100 percent owner of the High Yield entities, he benefited from the excessive profits earned from the undisclosed markups.

17. Marcus Lane knew or was reckless in not knowing that his interpositioning scheme would result in increased costs and excessive and fraudulent prices being charged to the two customers.

18. The interpositioning of the High Yield entities, and the resulting higher costs and excessive and fraudulent markups charged to the customers, were material facts that Marcus Lane should have disclosed to the two customers but did not.

19. By reason of the foregoing, Marcus Lane, in connection with the purchase or sale of corporate bond securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, intentionally or recklessly employed manipulative or deceptive devices, schemes, or artifice to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices or a course of business which operated or would operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and further, in violation of NASD Rules 2110 and 2120.

SECOND CAUSE OF ACTION

Interpositioning (Violations of NASD Rules 2320(b) and 2110 by Respondent Marcus Lane)

20. Market Regulation realleges and incorporates by reference the preceding paragraphs.
21. Marcus Lane interpositioned the third party High Yield entities in each of the 12 subject transactions described herein, thereby causing the two customers to pay more than they should have paid for their bond purchases.
22. By reason of the foregoing, in 12 transactions for or with a customer, Marcus Lane interjected a third party between GHYL and the best available market, in violation of NASD Rules 2320(b) and 2110.

THIRD CAUSE OF ACTION

Unfair and Unreasonable Prices and Excessive Markups (Violations of NASD Rules 2440, 2110, and IM-2440 by Respondent Marcus Lane)

23. Market Regulation realleges and incorporates by reference the preceding paragraphs.
24. Marcus Lane charged unfair and unreasonable prices and excessive markups in connection with the sale of corporate bonds in the 12 subject transactions with two customers.
25. In effecting the 12 corporate bond transactions identified above, Marcus Lane sold to GHYL's customers corporate bonds at prices that were not fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, the fact that the firm is entitled to a profit, and the factors set forth in IM-2440.

26. By reason of the forgoing, Marcus Lane violated NASD Rules 2440, 2110, and IM-2440.

FOURTH CAUSE OF ACTION

Failure to Establish and Maintain Reasonable Written Supervisory Procedures (Violations of NASD Rules 3010 and 2110 by Respondent Jeffrey Lane)

27. Market Regulation realleges and incorporates by reference the preceding paragraphs.

28. At all times relevant to this Complaint, Jeffrey Lane was responsible for establishing and maintaining GHYL's written supervisory procedures. Although GHYL engaged in bond transactions with customers and charged markups, Jeffrey Lane did not establish and maintain written supervisory procedures applicable to interpositioning, and fair prices and markups.

29. Jeffrey Lane failed to establish, maintain, and enforce written supervisory procedures to supervise the types of business in which GHYL engaged and to supervise the activities of registered representatives and associated persons that were reasonably designed to achieve compliance with the applicable securities laws and regulations, and rules of NASD, to wit, interpositioning and unfair and unreasonable prices and excessive markups.

30. By reason of the foregoing, Jeffrey Lane violated NASD Rules 3010 and 2110.

FIFTH CAUSE OF ACTION

Failure to Supervise Respondent Marcus Lane (Violations of NASD Rules 3010 and 2110 by Respondent Jeffrey Lane)

31. Market Regulation realleges and incorporates by reference the preceding paragraphs.

32. Jeffrey Lane failed to reasonably and properly supervise the activities of GHYL's registered representative and associated person, Marcus Lane, so as to achieve compliance with the federal securities laws and regulations, and rules of NASD, applicable to interpositioning and unfair pricing and markups, as well as fraud.

33. Jeffrey Lane had the responsibility, authority and ability to supervise Marcus Lane's activities at GHYL, including Marcus Lane's transactions with GHYL's customers, to ensure that Marcus Lane did not engage in interpositioning or charge customers unfair and unreasonable prices or excessive markups, or violate the federal securities laws.

34. As part of his supervisory responsibilities, Jeffrey Lane reviewed Marcus Lane's transactions with GHYL's customers. In doing so, Jeffrey Lane failed to take reasonable steps to detect and prevent Marcus Lane from engaging in interpositioning and charging unfair and unreasonable prices or excessive markups to GHYL's customers in connection with the 12 subject transactions. In addition, in doing so, Jeffrey Lane failed to take reasonable steps to detect and prevent Marcus Lane from committing the violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, as alleged in paragraphs 10 through 19 above.

35. By reason of the foregoing, Jeffrey Lane violated NASD Rules 3010 and 2110.

SIXTH CAUSE OF ACTION

Failure to Comply with FINRA Rule 8210 Information Requests (Violations of FINRA Rules 8210 and 2010 by Respondents Jeffrey and Marcus Lane)

36. Market Regulation realleges and incorporates by reference the preceding paragraphs.

37. On March 6, 2009, Market Regulation served a Rule 8210 request letter on Jeffrey Lane, as Chief Compliance Officer of GHYL, in connection with its investigation of certain bond transactions that occurred at GHYL, including the 12 subject transactions. The Rule 8210 request letter instructed GHYL to provide the requested information, which concerned the transactions that are the subject of this Complaint, by March 27, 2009.

38. On March 23, 2009, Jeffrey Lane responded in writing to the Rule 8210 request letter, but he failed to provide any of the requested information.

39. On May 27, 2009, two months after the March 27, 2009 response due date, Market Regulation received documents in response to some of the requested categories of information, after Market Regulation agreed to pay for copying and shipping costs. Although Market Regulation received this partial production, several distinct categories of information were not produced.

40. On June 26, 2009 and again on July 6, 2009, Market Regulation served follow-up Rule 8210 request letters on both Jeffrey and Marcus Lane, in their individual capacities. Both letters identified the specific categories of information that remained outstanding including, but not limited to, documents relating to communications concerning the 12 transactions that are the subject of this Complaint, certain GHYL account information, and certain ownership information concerning the High Yield Entities, and requested that either Respondent provide the information

by a designated date. Neither Respondent, however, provided the outstanding information and documents by the requested dates.

41. On July 31, 2009, Market Regulation initiated Rule 9552 proceedings against both Respondents by serving Notices of Suspension on each Respondent. On August 14 and 28, 2009, Jeffrey and Marcus Lane filed their respective requests for hearing. The Hearing Officer scheduled a consolidated hearing for October 30, 2009.

42. On September 26, 2009, nearly six months after the initial Rule 8210 request letter's response due date, Marcus Lane began to provide the outstanding information. On October 20, 2009, ten days before the scheduled hearing, Marcus Lane completed the production of outstanding information. As a result, the Rule 9552 proceedings were dismissed without prejudice.

43. Jeffrey and Marcus Lane were obligated to provide complete and timely responses to the Market Regulation's Rule 8210 requests, but they failed to do so.

44. By failing to provide complete and timely responses to Market Regulation's Rule 8210 requests, Respondents delayed Market Regulation's investigation of this matter.

45. By reason of the foregoing, Jeffrey Lane and Marcus Lane violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Market Regulation respectfully requests that the Panel:

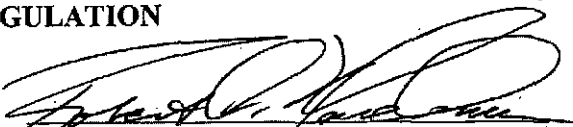
- A. make findings of facts and conclusions of law that Respondents committed the violations charged and alleged herein;

- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent Marcus Lane be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that the Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;
- D. make specific findings that Respondent Marcus Lane willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- E. make specific findings that Respondent Jeffrey Lane failed to supervise a person whose conduct violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and
- F. grant all further relief, legal or equitable, that is warranted under the circumstances.

FINRA DEPARTMENT OF MARKET REGULATION

Date:

4/6/2011


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The following chart summarizes the transactions executed by Robert Marcus Lane through GHYL.

#	Date	CUSIP	Issue	GHYL Buys From (order ticket execution time)	GHYL Sells To (order ticket execution time)	Quantity	Buy Trade Price	Sell Trade Price	Aggregate Markup	Aggregate Profit
1	a	10/20/2006	950761AC0	Werner	B-D (12:02 pm)	HY Entity (12:02 pm)	1020	8.6875	9.25	
	b	10/20/2006	950761AC0	Werner	HY Entity (12:41 pm)	customer G.E. (12:41 pm)	1020	9.75	10.00	15.11%
										\$13,387.50
2	a	10/24/2006	950761AC0	Werner	B-D (2:31 PM)	HY Entity (2:31 pm)	1500	8.50	8.75	
	b	10/24/2006	950761AC0	Werner	HY Entity (3:31 pm)	customer G.E. (3:31 pm)	1500	9.25	9.50	11.76%
										\$15,000.00
3	a	10/31/2006	950761AC0	Werner	B-D (11:35 am)	HY Entity (11:35 am)	3000	8.375	8.75	
	b	10/31/2006	950761AC0	Werner	HY Entity (12:10 pm)	customer G.E. (12:10 pm)	2000	9.25	9.50	13.43%
	c	10/31/2006	950761AC0	Werner	HY Entity (12:10 pm)	customer G.E. (12:10 pm)	1000	8.875	9.00	7.46%
										\$6,250.00
4	a	12/20/2006	194832AD3	Collins Aikman	B-D (12:46 pm)	HY Entity (12:46 pm)	1130	3.375	3.375	
	b	12/20/2006	194832AD3	Collins Aikman	HY Entity (12:55 pm)	customer M.M. (12:55 pm)	1130	3.5	3.625	7.41%
										\$2,825.00
5	a	1/10/2007	194832AD3	Collins Aikman	B-D (3:47 pm)	HY Entity (3:47 pm)*	2000	3.875	4	
	b	1/10/2007	194832AD3	Collins Aikman	HY Entity (3:58 pm)	customer M.M. (3:59 pm)	2000	4.125	4.125	6.45%
										\$5,000.00
6	a	2/23/2007	950761AC0	Werner	B-D (12:00 pm)	HY Entity (12:00 pm)	1900	7.25	7.50	
	b	2/23/2007	950761AC0	Werner	HY Entity (12:15 pm)	customer G.E. (12:15 pm)	1900	7.75	8.00	10.34%
										\$14,250.00
7	a	3/20/2007	EC3434452	Tower	B-D (12:35 pm)	HY Entity (12:35 pm)	2000	10.64	11.30	
	b	3/20/2007	EC3434452	Tower	HY Entity (2:53 pm)	customer G.E. (2:53 pm)	2000	12.30	12.77	20.02%
										\$42,600.00
8	a	3/29/2007	EC3434452	Tower	B-D (11:35 am)	HY Entity (11:35 am)	2000	7.33	7.65	
	b	3/29/2007	EC3434452	Tower	HY Entity (12:01 pm)	customer G.E. (12:01 pm)	2000	9.91	10.33	40.93%
										\$60,000.00
9	a	3/29/2007	EC3434452	Tower	B-D (12:36 pm)	HY Entity (12:36 pm)	3000	6.425	6.70	
	b	3/29/2007	EC3434452	Tower	HY Entity (1:10 pm)	customer M.M. (1:10 pm)	3000	8.65	8.99	39.92%
										\$76,950.00
10	a	3/29/2007	EC3434452	Tower	B-D (2:38 pm)	HY Entity (2:38 pm)	4052	6.425	6.70	
	b	3/29/2007	EC3434452	Tower	HY Entity (3:00 pm)	customer M.M. (3:00 pm)	4052	7.38	7.71	20.00%
										\$52,068.20
11	a	5/2/2007	EC3434452	Tower	B-D (10:17 am)	HY Entity (10:17 am)	1000	7.71	8.00	
	b	5/2/2007	EC3434452	Tower	HY Entity (11:00 am)	customer M.M. (11:00 am)	1000	8.50	8.83	14.53%
										\$11,200.00

* GHYL reported this time to TRACE as the execution time. The order ticket has an execution time of 3:58 pm.