

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SCOTT ALLAN SHAPIRO (CRD No.
2687108),

Respondent.

DISCIPLINARY PROCEEDING
No. 2007009179401

Hearing Officer – Maureen A. Delaney

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: September 21, 2009

INTRODUCTION

Disciplinary Proceeding No. 2007009179401 was filed on June 5, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Scott Alan Shapiro submitted an Offer of Settlement (Offer) to Complainant on September 21, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

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the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Shapiro first became registered in December 1995 as a General Securities Representative (GSR) through a member firm. In October 1998, Shapiro acquired an ownership interest in S.W. Bach & Co. (BD # 43522) (SWB), becoming registered through the firm as a General Securities Principal (GSP) and GSR. In February 2002, Shapiro became a controlling shareholder of SWB's parent company, J.A.S. Management Corp. On or about May 1, 2003, he became the President and CEO of SWB, and remained so until the firm filed a Uniform Request for Broker-Dealer Withdrawal (Form BDW) in February 2007. On May 22, 2007, SWB was involuntarily placed in a Chapter 7 bankruptcy proceeding by several of its creditors.

From May 3, 2007 through November 19, 2008, Shapiro was registered as a GSP and GSR through EKN Financial Services Inc. (BD #113525). On or about November 19, 2008, EKN filed a Uniform Termination Notice for Securities Industry Registration (Form U5) with FINRA, notifying FINRA that the firm had terminated Shapiro's association with EKN. Shapiro is not currently registered through a member firm.

FINRA retains jurisdiction over Shapiro pursuant to Article V, Section 4 of its By-Laws. Shapiro has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Charging Service Fee Without Prior Notice Or Consent

Between November 2006 and January 2007, Shapiro caused SWB to charge a \$100 service fee to approximately 3,000 SWB customers who had not been provided with prior written notice of the service fee. As a result of having charged the service fee to customers without providing prior written notice, SWB raised approximately \$300,000.

By reason of the foregoing, Shapiro violated NASD Conduct Rule 2110.

Failure to Disclose Unsatisfied Judgments

All applicants for registration with FINRA must complete and sign a Uniform Application for Securities Industry Registration or Transfer (Form U4). Pursuant to Article V, Section 2(c) of FINRA's By-Laws, every such application filed with FINRA shall be kept current at all times by supplementary amendments. Such amendments shall be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

December 20, 2006 Tax Judgments

Form U4 Question 14M asks "Do you have any unsatisfied judgments or liens against you?"

On or about December 20, 2006, two New York state tax judgments totaling \$217,428 were filed against Shapiro (December 20, 2006 Tax Judgments). The December 20, 2006 Tax Judgments remained unsatisfied through at least March 2008. The December 20, 2006 Tax Judgments were each a material event.

Pursuant to Article V, Section 2(c) of FINRA's By-Laws, Shapiro was required to submit an amendment to FINRA within thirty days of the December 20, 2006 Tax Judgments.

Shapiro willfully failed to amend his Form U4 to disclose the December 20, 2006 Tax Judgments while registered through SWB.

February 22, 2007 Tax Judgment

On or about February 22, 2007, a third New York state tax judgment in the amount of \$17,359 was filed against Shapiro (February 22, 2007 Tax Judgment). The February 22, 2007 Tax Judgment remained unsatisfied through at least March 2008. The February 22, 2007 Tax Judgment was a material event.

In connection with Shapiro's association with EKN, he signed a Form U4 dated May 1, 2007. By signing the Form U4, Shapiro was attesting to the completeness and accuracy of the Form U4. On or about May 3, 2007, EKN submitted Shapiro's Form U4 to FINRA.

Form U4 Question 14M asks "Do you have any unsatisfied judgments or liens against you?" Shapiro answered "No" to Question 14M of Form U4.

Shapiro's response was false, in that the December 20, 2006 and February 22, 2007 Tax Judgments filed against him were unsatisfied. By failing to disclose the three Tax Judgments, Shapiro willfully failed to disclose a material fact on his Form U4.

Shapiro did not disclose the Tax Judgments until March 2008, after FINRA contacted him concerning the non-disclosure.

DiLorenzo Judgment

On July 13, 2007, a judgment in the amount of 343,386.38 was entered against Shapiro in an action filed in New York State court entitled *Salvatore DiLorenzo v. J.A.S. Management Group d/b/a J.A.S. Management Corp. and Scott Shapiro* (DiLorenzo Judgment).

The DiLorenzo Judgment remained unsatisfied through at least March 2008. The DiLorenzo Judgment was a material event.

Shapiro was continuously registered with FINRA through EKN from May 3, 2007 through November 19, 2008. Pursuant to Article V, Section 2(c) of FINRA's By-Laws, Shapiro was required to submit an amendment to FINRA within thirty days of the DiLorenzo Judgment.

Shapiro willfully failed to amend his Form U4 to disclose the DiLorenzo Judgment until March 2008, after FINRA contacted him concerning the non-disclosure.

By reason of the foregoing and in each and every instance set forth above, Shapiro willfully violated Art. V, Sec. 2(c) of FINRA's By-Laws and NASD Membership and Registration Rule IM-1000-1 and NASD Conduct Rule 2110.

Failure to Provide Information

On February 23, 2007, Shapiro filed a Form BDW concerning SWB designating himself as the "person who will have custody of books and records" of SWB.

In or about March 2007, FINRA initiated an examination of SWB in order to review, among other things, SWB's financials books and records, its financial condition, and outstanding arbitrations or litigations against SWB (Financial Examination).

On March 23, 2007, FINRA sent a letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, the following (Original Request):

- (i) copies of SWB's (a) General Ledger, Trial Balance and Balance Sheet for January and February, 2007; (b) clearing account statements for January and February, 2007; and (c) commission payout schedules for January and February, 2007; and

- (ii) information concerning SWB's (a) expenses and accounts payable for January and February, 2007; (b) outstanding litigations and arbitrations and reserve funds relating thereto; (c) outstanding liabilities; and (d) SWB's January 2007, February 2007 and final Focus filings.

The Original Request required a response no later than April 6, 2007. No response was received.

On April 13, 2007, FINRA sent a second letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, the information listed in the Original Request (Second Request). The Second Request required a response no later than April 23, 2007. No response was received.

On April 25, 2007, FINRA sent a third letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, the information listed in the Original Request (Third Request). The Third Request required a response no later than May 7, 2007. No response was received.

On May 22, 2007, FINRA sent a fourth letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, the information listed in the Original Request (Fourth Request). The Fourth Request required a response no later than June 1, 2007.

On June 4, 2007, Shapiro submitted a partial, untimely response to the Original Request.

On June 7, 2007, FINRA sent its fifth letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, the information listed in the Original Request that had not been produced (Fifth Request). The response to the Fifth Request was due June 15, 2007. On June 20, 2007, Shapiro submitted a partial response to the Fifth Request.

On July 20, 2007, FINRA sent its sixth request, pursuant to NASD Procedural Rule 8210, requesting the information listed in the Original Request that had still not been produced (Sixth

Request), specifically SWB's General Ledger, Trial Balance and Balance Sheet for January and February, 2007.

FINRA has not received copies of SWB's General Ledger, Trial Balance and Balance Sheet for January and February, 2007 called for by the foregoing requests. Each of the foregoing requests was sent in accordance with the Notice requirements of NASD Procedural Rule 8210.

In connection with the Financial Examination, on October 1, 2007, FINRA sent a letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, copies of Statements of Claim filed by SWB's former chief compliance officer and its former vice president and any Statements of Answer thereto (October 1 Request). The October 1 Request required a response no later than October 12, 2007. No response was received.

On October 25, 2007, FINRA sent another letter to Shapiro requesting, pursuant to NASD Procedural Rule 8210, copies of the Statements of Claim filed by SWB's former chief compliance officer and its former vice president and any Statements of Answer thereto (October 25 Request). The October 25 Request required a response no later than November 2, 2007.

FINRA has not received any response to the foregoing requests for information. Each of the foregoing requests was sent in accordance with the Notice requirements of NASD Procedural Rule 8210.

By reason of the foregoing and in each and every instance set forth above, Shapiro violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future

misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

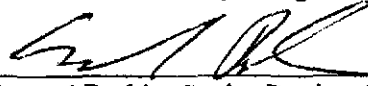
It is ordered that Respondent be barred from associating with any FINRA member firm in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

Date: September 21, 2009

FINRA
Signed on behalf of the
Director of ODA, by delegated authority



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