

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Oscar G. Grados (CRD No. 4600863),

Respondent.

DISCIPLINARY PROCEEDING
No. 2007011315901

RECEIVED
2009 NOV 17 A 8:17
REGISTRATION & DISCLOSURE

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent recommended to 13 customers that they obtain home equity loans and use the proceeds to purchase mutual funds. Based on each customer's financial circumstances, Respondent's recommendation to each customer was unsuitable.

RESPONDENT AND JURISDICTION

2. Respondent entered the securities industry in November 2002 by filing a Form U4 to become associated with FINRA member Edward Jones. He became registered as a General Securities Representative in January 2003. The firm terminated Respondent on or about October 29, 2007.
3. Respondent has not been associated with any FINRA member since on or about December 18, 2007.
4. On or about June 4, 2008, Edward Jones updated Respondent's Uniform Termination Notice for Securities Industry Registration to report a customer complaint and

000009321 2009

settlement. Pursuant to Article V, Section 4(a)(i) of the FINRA By-Laws, Respondent remains subject to the filing of this Complaint.

CAUSE OF ACTION
Unsuitable Recommendations (Rules 2310(a) and 2110 and IM-2310-2)

5. The Department realleges and incorporates by reference paragraphs 1 through 4 above.
6. From on or about October 13, 2005, through February 23, 2007, Respondent recommended to 13 customers that they obtain home equity loans and deposit the proceeds in their securities accounts at Edward Jones.
7. Respondent then recommended that the customers use the loan proceeds to purchase mutual funds.
8. With respect to each customer, Respondent arranged a monthly transfer from the customer account to a bank account controlled by the customer, from which the customer would make his or her monthly loan payment.
9. The table below summarizes the above-described transactions:

Customer	Annual Income	Net Worth	Amount Deposited	Date of Investment	Investment Amount	Monthly Transfer
L.O.	\$30,000	\$150,000	\$73,187.00	10/13/05	\$73,170.00	\$1,079.98
J.T.	\$18,000	\$360,000	\$89,000.00	10/26/05	\$88,999.00	\$1,250.77
M.C.	\$40,000	\$150,000	\$50,000.00	11/04/05	\$50,000.00	\$596.37
S.B. & L.V.H.	\$27,000	\$60,000	\$20,000.00	12/30/05	\$20,000.00	\$350.67
V.F.	\$50,000	\$200,000	\$100,000.00	12/30/05	\$100,000.00	\$1,152.87
C.W.	\$45,000	\$120,000	\$54,996.13	01/11/06	\$54,996.00	\$571.42
L.R.	\$30,000	\$125,000	\$60,000.00	02/01/06	\$60,000.00	\$450.00
S.H. & J.H.	\$40,000	\$341,000	\$125,000.00	02/24/06	\$125,000.00	\$1,105.18
A.C.	\$50,000	\$90,000	\$67,932.00	03/22/06	\$67,930.00	\$1,231.96
V.T.	\$59,000	\$150,000	\$66,000.00	05/23/06	\$66,000.00	\$868.70
M.B. & S.B.	\$48,000	\$150,000	\$80,000.00	05/25/06	\$76,000.00	\$780.45
J.G.S. & C.M.	\$48,000	\$100,000	\$29,000.00	12/18/06	\$30,065.00	\$792.17
E.T. & W.T.	\$85,000	\$80,000	\$118,330.00	02/23/07	\$118,329.00	\$1,113.13

10. Respondent recommended these transactions knowing that none of the customers was financially capable of purchasing the recommended mutual funds without resorting to a home equity loan.
11. Respondent also knew or should have known that the customers would rely substantially upon the mutual fund returns to make the required home equity loan payments and, should those returns decline to the point of impairing their ability to make the payments, were at risk of losing their homes.
12. By recommending that his customers obtain home equity loans to purchase securities that they could not otherwise afford and incur obligations that placed their homes at risk, Respondent violated NASD Rules 2310(a) and 2110 and IM-2310-2.

RELIEF REQUESTED

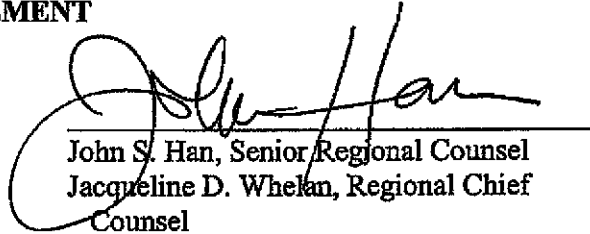
WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains.

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

Date: November 16, 2009

A handwritten signature in black ink, appearing to read "John S. Han", is written over a horizontal line.

John S. Han, Senior Regional Counsel
Jacqueline D. Whelan, Regional Chief
Counsel

FINRA Department of Enforcement
One Montgomery Street
Suite 2100
San Francisco, CA 94104
(415) 217-1124; Fax: (415) 217-1201
john.han@finra.org
jacqueline.whelan@finra.org