

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CHRISTOPHER S. MATTEI
(CRD No. 2393244),

Respondent.

Disciplinary Proceeding
No. 20080117433

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

July 5, 2011

Respondent is barred from associating with any FINRA registered firm in any capacity for failing to appear and provide testimony, in violation of Procedural Rule 8210 and Conduct Rule 2010.

Appearances

Robin W. Sardegna, Esq., Bradley L. Mirkin, Esq., and Frank D. Mazzarelli, Esq., appeared on behalf of the Department of Enforcement.

No appearance by or on behalf of Christopher S. Mattei.

DECISION

I. Introduction

The FINRA Department of Enforcement (“Enforcement”) filed the attached Complaint with the Office of Hearing Officers on February 10, 2011. The Complaint charges Respondent Christopher S. Mattei (“Mattei”) with six causes of action, including failing to appear and provide on-the-record testimony, in violation of FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010. Consistent with the FINRA Sanction Guidelines, Enforcement requests that the Hearing Officer bar Mattei from associating with any FINRA registered firm in any capacity

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for this violation. Enforcement seeks no sanctions for the remaining five causes of action, which allege that Mattei:

1. failed to implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act (“BSA”) and the implementing regulations thereunder, in violation of NASD Conduct Rules 3011(b) and 2110 and FINRA Rule 2010;
2. failed to reasonably implement his firm’s procedures for detecting and reporting suspicious activity and transactions, in violation of NASD Conduct Rules 3011(a) and 2110 and FINRA Rule 2010;
3. failed to report customer complaints timely, in violation of NASD Conduct Rules 3070(c) and 2110 and FINRA Rule 2010;
4. failed to reasonably supervise his firm’s options business and follow the firm’s related procedures, in violation of NASD Rules 2860(b)(20), 3010(a) and (b), 2110, and FINRA Conduct Rule 2010; and
5. failed to obtain and complete option account agreements for 11 customers, and failed to retain copies of option account agreements for two other customers, in violation of NASD Conduct Rules 2860(b)(16), 3110(a) and 2110, and FINRA Conduct Rule 2010.¹

II. Procedural History

On February 10, 2011, Enforcement served the Complaint and First Notice of Complaint on Mattei by mailing them to him at his most recent residential address recorded in the Central

¹ The FINRA Rules, which include NASD Procedural and Conduct Rules, are available at www.finra.org/Rules. On December 15, 2008, the first phase of new consolidated FINRA Rules went into effect. See, Regulatory Notice 08-57. In the rule consolidation, NASD Rule 2110 was renumbered to FINRA Rule 2010. The findings in this Default Decision refer to the rules that were in effect at the time of the violations.

Registration Depository (“CRD”) by first-class certified mail, return receipt requested.² The receipt for this mailing indicates that it was delivered and signed on February 12, 2011. The receipt appears to have been signed by “Victoria Mattei.” Mattei did not answer or otherwise respond to the Complaint.³

On March 17, 2011, Enforcement served the Complaint and Second Notice of Complaint on Mattei by mailing them to him at his CRD address by first-class certified mail, return receipt requested.⁴ Mattei signed the receipt for this mailing on March 21, 2011. Mattei did not answer or otherwise respond to the Complaint.⁵

On May 6, 2011, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”), together with the declaration of Robin W. Sardegna, Esq. (“Sardegna Decl.”), five exhibits attached to the declaration, and six other exhibits.⁶

Mattei did not respond to Enforcement’s Default Motion. Accordingly, pursuant to Rules 9215(f) and 9269(a), the Hearing Officer granted Enforcement’s Default Motion and deemed the allegations in the attached Complaint admitted.

III. Findings of Fact and Conclusions of Law

A. Jurisdiction

Mattei entered the securities industry as a General Securities Representative in 1993.⁷ Between March 2008 and February 2009, Mattei was the Director of Compliance and Anti-

² Sardegna Decl. ¶ 3.

³ Decl. Ex. 3.

⁴ Sardegna Decl. ¶ 3.

⁵ Decl. Ex. 4.

⁶ The exhibits attached to the declaration are labeled “Decl. Ex. ___”; Enforcement’s other exhibits are labeled CX-1 through CX-6.

⁷ Decl. Ex. 1, at 7.

Money Laundering (“AML”) Compliance Officer at Fordham Financial Management, Inc. (“Fordham”), a FINRA registered firm.⁸ Mattei left Fordham on February 13, 2009, at which time his FINRA registrations terminated.⁹ He has not been registered with FINRA since he left Fordham.

FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after FINRA terminated his registrations, and (2) the Complaint charges him with misconduct that occurred while he was associated with a FINRA member firm, and with failing to appear and provide on-the-record testimony during the two-year period following the termination of his FINRA registration.¹⁰

B. Failure to Appear and Provide On-The-Record Testimony

The Sixth Cause of Action alleges that Respondent provided FINRA staff with sworn, on-the-record testimony in November 2008 and in October and November 2009 in connection with an investigation that arose following the examinations of Fordham conducted by FINRA’s Department of Market Regulation in 2008 and 2009. Thereafter, on November 22, 2010, Mattei informed FINRA staff that he had additional information concerning the matters under investigation that he had not disclosed in his interviews because he had felt constrained by counsel in what he could say during the interviews. Based on this representation, FINRA staff determined that it would take additional testimony from Mattei.¹¹

⁸ Compl. ¶ 1; Decl. Ex. 1, at 3.

⁹ Compl. ¶ 2; Decl. Ex. 1, at 3.

¹⁰ See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/Rules (then follow “FINRA Manual” hyperlink to “Corporate Organization: By-Laws”).

¹¹ Compl. ¶ 38.

Although at first Mattei indicated that he would voluntarily appear for further testimony, he did not do so. Accordingly, on December 3, 2010, FINRA staff sent Mattei a written request, pursuant to Rule 8210, that he appear for an on-the-record interview on December 16, 2010.¹² On December 14, 2010, Mattei sent FINRA staff an e-mail stating:

I regret to inform you that I will not participate in any investigations conducted by FINRA. I feel FINRA does not have the authority or power to ensure my safety outside of the financial industry. I understand FINRA will probably impose a permanent bar from the financial industry on me. Let this email serve as an acknowledgment and acceptance of said sanction.

To be quite frank, you shouldn't even waste your time. My licenses expire in February 2011 and I will never reenter the financial industry. I am disgusted with every facet of the industry.¹³

Mattei did not appear and provide his requested testimony on December 16, 2010.

The facts alleged in the Sixth Cause of Action establish that Mattei violated FINRA Rules 8210 and 2010 by failing to appear and provide on-the-record testimony.

C. Supervisory and Reporting Violations

Although Enforcement did not request that Mattei be sanctioned for the remaining violations alleged in the Complaint, the Hearing Officer finds that the facts alleged in the Complaint are sufficient to establish that Mattei committed those violations while he was registered at Fordham.

1) Failure to Implement Policies, Procedures, and Internal Controls to Achieve Compliance with the Bank Secrecy Act

As set forth in greater detail in the attached Complaint, between March 2008 and February 2009, Mattei violated NASD Rules 3011(b) and 2110 and FINRA Rule 2010 by not adequately implementing Fordham's Customer Identification Program ("CIP"). Pursuant to

¹² Compl. ¶ 39.

¹³ CX-5.

NASD Rule 3011(b) and the BSA, FINRA registered firms were required to have risk-based CIPs that provided reasonable assurance that the firms knew the true identity of each of their customers. As Fordham's AML Compliance Officer, under Fordham's CIP dated August 13, 2007, Mattei was responsible for approving and opening new accounts and verifying and documenting customer identification information required by the BSA, which he failed to do. Mattei relied on information from Fordham's clearing firm despite knowing that it did not verify the identity of Fordham's foreign customers, and, therefore, did not provide a suitable means for of non-documentary identity verification of foreign customers.¹⁴ Although Fordham's clearing firm generated a CIP exception report for more than 100 accounts between March 2008 and September 2008, because the clearing firm could provide no information to verify the account information, Mattei did not implement the non-documentary verification process required by Fordham's CIP.¹⁵

In addition, Mattei, on behalf of Fordham, was responsible for accessing the Financial Crimes Enforcement Network's ("FinCEN's") Secure Information Sharing System (the "SISS") to respond to federal requests for information pursuant to 31 CFR 103.100(b)(2)(i). However, Mattei failed to search the records maintained in the SISS to respond to 16 FinCEN requests for information between July 2008 and February 2009.¹⁶

2) Failure to Implement Policies, Procedures, and Internal Controls for Detecting and Reporting Suspicious Activity and Transactions

As set forth in greater detail in the attached Complaint, Mattei violated NASD Rules 3011(a) and 2110 and FINRA Rule 2010 by not implementing the firm's procedures relating to the detection and reporting of suspicious activity and transactions, as required by the BSA.

¹⁴ Compl. ¶ 9.

¹⁵ *Id.* ¶ 10.

¹⁶ *Id.* ¶ 13.

Mattei failed to reasonably implement the firm's policies because he incorrectly concluded that the firm did not have any high risk customers.¹⁷

Although Fordham's clearing firm produced suspicious activity exception reports, Mattei did not use them. Specifically, the Complaint notes that Mattei failed to take reasonable steps to identify and analyze potentially suspicious activity in connection with five customer accounts of a single registered representative between March 2008 and February 2009.¹⁸ Mattei took no action to follow up on certain "red flags" relating to activity in these accounts.

3) Failure to Report Customer Complaints Timely

As set forth in greater detail in the attached Complaint, Mattei violated NASD Conduct Rules 3070(c) and 2110 and FINRA Rule 2010, by failing to report customer complaints timely. Mattei was responsible for reporting customer complaints to FINRA pursuant to NASD Conduct Rule 3070(c). Rule 3070(c) requires firms to report to FINRA statistical and summary information about customer complaints by the 15th day of the month following the calendar quarter in which the firms receive the complaint. Nonetheless, Mattei never reported three customer complaints that Fordham had received by the time he was hired in March 2008. Fordham did not report the complaints to FINRA until April 2009, approximately one year after the reports were due and approximately two months after Mattei left the firm.¹⁹ In addition, Mattei failed to report six other customer complaints, and he reported another late.²⁰

4) Failure to Reasonably Supervise Fordham's Options Business

As set forth in greater detail in the attached Complaint, Mattei violated NASD Rules 2860(b)(20), 3010(a) and (b), 2110, and FINRA Conduct Rule 2010 by failing to reasonably

¹⁷ Compl. ¶¶ 16-17.

¹⁸ *Id.* ¶ 19.

¹⁹ *Id.* ¶ 28.

²⁰ *Id.*

supervise his firm's options business. Fordham's written supervisory procedures required all option trading activity to be reviewed by Mattei on a regular basis for misuses of inside information and rumors, churning, suitability, day trading-related issues, state registrations of registered representatives, option trading approvals, employee and related account transactions compared to customers' transactions, and option positions and exercise limits. Mattei did not conduct such reviews and supervision.²¹

5) Failure to Obtain and Complete Option Account Agreements and Failure to Retain Copies of Option Account Agreements

As set forth in greater detail in the attached Complaint, Mattei violated NASD Conduct Rules 3110(a) and 2110, and FINRA Conduct Rule 2010, by failing to obtain and complete option account agreements for 11 customers, and failing to retain copies of option account agreements for two other customers, which failures caused Fordham's books and records to be inaccurate, in violation of NASD Conduct Rule 2860(b)(16).

IV. Sanctions

The FINRA Sanction Guidelines ("Sanction Guidelines") for failing to respond to FINRA Rule 8210 requests for information provide that a bar should be "standard" when there is a complete failure to respond.²²

The Hearing Officer finds that a bar from associating with any FINRA registered firm in all capacities is an appropriately remedial sanction given all of the facts and circumstances of this case, including a lack of mitigating factors that would warrant a lesser sanction. The staff was investigating allegations of serious misconduct at Mattei's firm. Accordingly, the Hearing Officer will bar Mattei from associating with any FINRA registered firm in all capacities.

²¹ Compl. ¶ 32.

²² FINRA Sanction Guidelines 33 (2011), www.finra.org/sanctionguidelines.

V. Conclusion

Respondent is barred from associating with any member firm in any capacity for failing to appear and provide testimony, in violation of Procedural Rule 8210 and Conduct Rule 2010. The bar shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.

In light of the bar, no sanctions are imposed for his other violations.

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

Andrew H. Perkins
Hearing Officer

Copies to:

Christopher S. Mattei (*via overnight courier and first-class mail*)
Robin W. Sardegna, Esq. (*via electronic and first-class mail*)
Bradley L. Mirkin, Esq. (*via electronic mail*)
Frank D. Mazzarelli, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Christopher S. Mattei (CRD No. 2393244),

Respondent.

DISCIPLINARY PROCEEDING NO. 20080117433

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Christopher Mattei ("Mattei") was the Director of Compliance and Anti-Money Laundering ("AML") Compliance Officer ("AMLCO") at Fordham Financial Management, Inc. ("Fordham" or the "Firm") from March 2008 through February 2009 (the "relevant time period"). Mattei was responsible for, among other things, the Firm's compliance with AML, options supervision, and customer complaint reporting requirements. During the relevant time period, Mattei repeatedly violated AML, customer complaint reporting, and options account documentation requirements. Specifically, Mattei violated NASD Conduct Rule 3011(a) and (b) by failing to implement a customer identification program that satisfied rule requirements, respond to federal information requests, and monitor and cause the reporting of suspicious activity. Mattei also failed to report to FINRA seven customer complaints, in violation of NASD Conduct Rule 3070(c). He also violated the supervision requirements of NASD Conduct Rules

2860(b)(20) and 3010(a). Mattei failed to satisfy NASD Conduct Rules 2860(b)(16) and 3110(a) by not retaining completed copies of customer Client Option Agreements. Finally, Mattei refused to appear for on-the-record testimony in December 2010 that had been requested pursuant to FINRA Rule 8210.

RESPONDENT AND JURISDICTION

2. Mattei was born in [REDACTED]. After a brief career in law enforcement, Mattei first became registered with a FINRA regulated broker-dealer in September 1993 as a General Securities Representative. Mattei became employed at Fordham as the Director of Compliance in March 2008. Mattei was registered with Fordham as a Series 4, 7, 8, 14, 24, 25, 27, 53, and 63 until February 13, 2009.

3. Although Respondent has not been associated with a FINRA member firm since February 13, 2009, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member and with failing to appear for on-the-record testimony during the two-year period after the date upon which he ceased to be associated with a FINRA member.

OTHER ENTITIES

4. Fordham Financial Management, Inc., Mattei's firm, is a small one-office New York-based broker dealer. It has been a NASD/FINRA member firm continuously since 1987. During the relevant time period, Fordham employed approximately twenty registered representatives.

FIRST CAUSE OF ACTION

Failure to Implement Policies, Procedures, and Internal Controls (NASD Rules 3011(b) and 2110 and FINRA Rule 2010)

5. The Department realleges and incorporates by reference paragraphs 1 through 4 above.
6. As Fordham's AMLCO, Mattei was responsible for the design and implementation of the Firm's AML Compliance Program. NASD Conduct Rule 3011(b) provides that firms must establish and implement policies and procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act ("BSA") and the implementing regulations promulgated thereunder. As carried out by Mattei, Fordham's AML policies, procedures, and internal controls were not reasonably designed to achieve compliance with the BSA.
7. FINRA member firms are required to have risk-based Customer Identification Programs ("CIPs") that provide reasonable assurance that they know the true identity of each of their customers. They are also required to document the method and results of verification. Between March 2008 and February 2009, Mattei was responsible for approving the opening of new accounts and for verifying and documenting customer identification information required by the BSA. Mattei, on behalf of the Firm, did not adequately implement the CIP approved by Fordham's senior management.
8. Fordham's CIP, dated August 13, 2007, requires the use of documentary and/or non-documentary means to verify the identity of its customers. Non-documentary verification was required in addition to documentary verification where there was no face-to-face contact between the Firm and the customer. In practice, this meant that non-documentary verification was required in virtually all cases, because customers did not come to Fordham's offices to open accounts.

9. Mattei relied on information provided by Fordham's clearing firm to conduct documentary and non-documentary verification, despite knowing that this source did not in fact verify the identity of Fordham's foreign customers (of which there were many). This source always indicated an exception for foreign customers. For this reason, the information from the clearing firm was not a suitable means of non-documentary identity verification for foreign customers. Moreover, no process or procedure existed to know which new customers had had face-to-face contact with representatives of the Firm, thereby requiring non-documentary verification.

10. Between March 2008, when Mattei became the Firm's AMLCO, and September 2008, more than 100 Firm accounts generated a CIP exception at Fordham's clearing firm, meaning that the database that the clearing firm used to check the account names could provide no information to verify the account information. The clearing firm identified these accounts to Fordham, but Mattei did not reasonably respond to these exceptions or document resolution of the substantive discrepancies discovered by the clearing firm, as required by NASD Conduct Rule 3011(b). For some of these exceptions, Mattei failed to implement the non-documentary verification required by Fordham's procedures. For others, Mattei failed to take any steps to verify the customer's identity at all.

11. Mattei's means of non-documentary verification of customers' identities consisted of sending mail addressed to the customer at the address provided, receiving correspondence from the customer, receiving accounts by ACAT, and by obtaining a social security number or other government-issued identification from the customer (though not verifying it). None of these methods constituted adequate forms of non-documentary verification, because the information

either came directly from the customer or was otherwise not necessarily indicative that the customer was who he or she said they were.

12. For foreign customers, Mattei considered copies of photo identification sent via facsimile to be adequate documentary verification of the customer's identity. Alone, a copy of a foreign customer's photo identification is not adequate when the customer does not come to the firm in person because it does not verify that the customer is the person faxing or mailing in the copy of the identification document, nor does it verify that the customer is the person pictured on the copy of the identification document.

13. Mattei was responsible, on behalf of the Firm, for logging in to the Financial Crimes Enforcement Network's ("FinCEN") Secure Information Sharing System ("SISS") to respond to federal requests for information pursuant to 31 CFR 103.100(b)(2)(i). The Firm failed to login to SISS and failed to review its books and records and to respond to at least 16 out of 24 FinCEN requests between July 2008 and February 2009.

14. Based on the foregoing, Mattei violated NASD Conduct Rules 3011(b) and 2110 (for those instances occurring before December 15, 2008), and NASD Conduct Rule 3011(b) and FINRA Rule 2010 (for those instances occurring on or after December 15, 2008) by failing to implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder. Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade.

SECOND CAUSE OF ACTION

Failure to Implement Policies, Procedures, and Internal Controls (NASD Rules 3011(a) and 2110 and FINRA Rule 2010)

15. The Department realleges and incorporates by reference paragraphs 1 through 14 above.

16. As Fordham's AML Compliance Officer, Mattei was responsible for implementing the Firm's procedures relating to the detection and reporting of suspicious activity. NASD Conduct Rule 3011(a) requires firms to establish and implement policies and procedures "that can reasonably be expected to detect and cause the reporting of" suspicious activity and transactions. Although Fordham's AML Compliance Program, dated August 13, 2007 ("AMLCP"), included procedures relating to the detection and reporting of suspicious activity, Mattei failed to reasonably implement those procedures.

17. For example, although the Firm's AMLCP required the identification of high-risk clients and provided guidance for doing so, Mattei did not believe there to be any high risk customers and identified no such customers. Notwithstanding Mattei's belief, Fordham did have numerous high risk customers, such as foreign customers and customers who liquidated large penny stock positions.

18. Moreover, Fordham's procedures listed a number of "red flags" that could be indications of potentially reportable suspicious activity. It was Mattei's responsibility under the procedures to review transactions presenting those "red flags" and report the activity on a Suspicious Activity Report for the Securities and Futures Industry ("SAR SF") if the transaction was "suspicious" under 31 C.F.R. 103.19 or document the decision not to file one. The Firm's clearing firm made suspicious activity exception reports available to the Firm at no cost, but Mattei did not use these exception reports.

19. Most notably, as alleged in more detail below, Mattei failed to take reasonable steps to identify and analyze potentially suspicious activity in connection with five specific customer accounts of a single registered representative between March 2008 and February 2009. Mattei did not identify or address what Fordham's AMLCP identified as red flags of suspicious activity,

did not reasonably monitor these accounts, and did not file SAR SFs, or document decisions not to file, as required. Mattei was, or should have been, familiar with all the transactions that occurred in each of these five customer accounts, as a result of his daily, weekly, and monthly reviews of trading, wire, and other account activity. Nonetheless, Mattei took no action to follow up on the red flags with respect to any of the following activity and determine if there was a reasonable business purpose for the transactions.

Customer Account I (the "B" Account)

20. Among the red flags identified in Fordham's AMLCP was the fact that the B account, owned by a corporation, was primarily engaged in the deposit and subsequent liquidation of large blocks of penny stock securities at significant profits, with the proceeds then wired from the account. Specifically, during the relevant time period, the account made three purchases totaling 18,000 shares costing \$9,250 while making sixty sales totaling 716,007 shares for proceeds of approximately \$218,281. Twenty one wire transfers were made in the account totaling \$168,405 resulting from the \$218,281 in liquidations of penny stocks, less wiring fees. Thirteen of the sixty three transactions in the account involved trade corrections. Additionally, most of the twenty one Letters of Authorization ("LOA") to wire funds from the account were undated and appeared to be photocopies of the same LOA even though the Firm's procedures required LOAs to be dated. Approximately half of the LOAs appeared to be photocopies of the same undated LOA with only the amount altered. Some of the LOAs for this account requested that "all available funds" be wired from the account, even though the Firm's procedures required that an LOA be for a specific dollar amount. The contact individual for this account was identified on the new account form as financial consultant. Fordham also had no records as to

how or why this account received large number of shares of penny stocks – another red flag under the Firm’s AMLCP.

Customer Accounts II through V (the “GR” Accounts)

21. Fordham’s AMLCP stated that accounts may be flagged if an individual owns or maintains control over multiple accounts without a business reason. GR maintained control of four Firm accounts; one personal account and three accounts in the names of several entities he claimed to control (MC, LC, & QI). During the relevant time period, the four accounts were primarily utilized to liquidate large blocks of various penny stocks. Mattei was unaware of the business purpose, if any, for the four different accounts or how the customer obtained his shares of penny stocks, and he failed to inquire or investigate if there indeed was a business purpose for the four accounts.

22. During the relevant time period, the accounts received large quantities of five penny stocks, including 800,000 shares of Validian Corp (VLDI), an issuer for whom GR conducted “investor relations.” On the following days, accounts under GR’s control engaged in the unsolicited transactions in VLDI set forth below:

- May 13, 2008 – GR’s personal account buys 60,000 shares while MC sells 65,000 shares
- May 15, 2008 – GR’s personal account buys 10,000 shares while MC sells 50,200 shares
- May 21, 2008 – GR’s personal account buys 89,000 shares while MC sells 10,000 shares
- June 3, 2008 – MC buys 25,000 shares while LC sells 82,000 shares
- June 5, 2008 – MC buys 69,980 shares and LC buys 18,500 shares while LC cancels the 82,000 shares sold on June 2, 2008 and MC cancels 12,100 shares of the shares purchased on June 3, 2008
- June 10, 2008 – QI buys 30,000 shares while MC sells 86,400 shares
- July 23, 2008 – MC buys 3,000 shares while QI sells 80,000 shares

23. During the relevant time period, there were thirty four trade corrections in the accounts. Additionally, all four of GR's accounts were placed on restriction for insufficient funds on checks made payable to Fordham's clearing firm or for other non-payment reasons.

24. As the Director of Compliance, and the only compliance person at the Firm, Mattei reviewed the account opening documentation for each new account, as well as all activity in each account on a daily, weekly, and monthly basis. Mattei also had access to all existing account documentation. Among other things, Mattei failed to identify these multiple accounts as all being under the control of a single person, GR. This information was necessary to adequately review account activity in GR's accounts. It was information that Mattei should have known. He also should have recognized the irregular nature of the activity described above but did not.

25. Mattei failed to adequately review the activity in these five accounts that raised red flags under the firm's procedures and took no steps to determine whether it was necessary to file a SAR SF with respect to any of the activity, including "wash" activity.

26. Based on the foregoing, Mattei violated NASD Conduct Rules 3011(a) and 2110 (for those instances occurring before December 15, 2008), and NASD Conduct Rule 3011(b) and FINRA Rule 2010 (for those instances occurring on or after December 15, 2008) in that he failed to implement policies and procedures reasonably expected to determine whether or not to file a SAR with FinCEN. Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade.

THIRD CAUSE OF ACTION

Failure to Report Customer Complaints (NASD Rules 3070(c) and 2110 and FINRA Rule 2010)

27. The Department realleges and incorporates by reference paragraphs 1 through 26 above.

28. Mattei was also the person at Fordham responsible for reporting all the customer complaints, pursuant to NASD Conduct Rule 3070(c). That rule requires firms to report to FINRA statistical and summary information about customer complaints by the 15th day of the month following the calendar quarter in which the complaints are received. Mattei knew that there were three customer complaints (relating to customers SH, SL, and MH) that needed to be reported pursuant to NASD Conduct Rule 3070(c) at the time he became employed at Fordham in March 2008. Mattei never reported these three complaints to FINRA, though he was required to do so pursuant to NASD Conduct Rule 3070(c). Fordham did not report them until April 2009, approximately one year after they were required to be reported to FINRA and approximately two months after Mattei left the firm. Mattei also failed to report another six customer complaints (relating to customers AG, SK, EF, DB, CE, and GH) as required by NASD Conduct Rule 3070(c) and filed yet another customer complaint late (relating to customer SOK).

29. By failing to report and failing to timely report customer complaints, Mattei violated NASD Conduct Rules 3070(c) and 2110 (for those failures occurring before December 15, 2008), and NASD Conduct Rule 3070(c) and FINRA Rule 2010 (for those failures occurring on or after December 15, 2008). Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade.

FOURTH CAUSE OF ACTION

Failure to Supervise Options Accounts (NASD Rules 2860(b)(20), 3010(a) and (b) and 2110 and FINRA Rule 2010)

30. The Department realleges and incorporates by reference paragraphs 1 through 29 above.

31. NASD Conduct Rules 2860(b)(20) and 3010(a) require FINRA member firms to supervise their options business.

32. Mattei was responsible for supervision of options trading and the opening of options accounts at Fordham. Mattei failed to reasonably supervise the Firm's options business, as required by NASD and FINRA Rules, and failed to follow the Firm's written supervisory procedures ("WSPs") for the supervision of options accounts. NASD/FINRA Rules and Fordham's WSPs required all option trading activity to be reviewed by the designated principal on a regular basis for misuses of inside information and rumors, churning, suitability, day trading-related issues, state registrations of registered representatives, option trading approvals, employee and related account transactions compared to customers' transactions, and option positions and exercise limits. Mattei did not conduct this type of supervision. Therefore, he did not reasonably supervise the options accounts during the relevant time period.

33. By virtue of the foregoing, Mattei caused Fordham to violate NASD Conduct Rules 2860(b)(20), 3010(a) and (b), and 2110 (for conduct occurring before December 15, 2008), as well as NASD Conduct Rules 2860(b)(20), 3010(a) and (b), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008) by failing to reasonably supervise the firm's options accounts. Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade.

FIFTH CAUSE OF ACTION

Failure to Complete or Retain Copies of Client Option Agreements (NASD Rules 2860(b)(16), 3110(a) and 2110 and FINRA Rule 2010)

34. The Department realleges and incorporates by reference paragraphs 1 through 33 above.

35. NASD Conduct Rule 3110(a) requires firms to make and preserve certain books and records in accordance with NASD rules and the federal securities laws. NASD Conduct Rule 2860(b)(16) requires that, within 15 days after a customer has been approved for options trading,

a firm "obtain from the customer a written agreement that the customer is aware of and agrees to be bound by the Rules of the Association applicable to the trading of options contracts and, if he desires to engage in transactions in options issued by the Options Clearing Corporation, that the customer has received a copy of the current disclosure document(s) required to be furnished ... and that he is aware of and agrees to be bound by the rules of the Options Clearing Corporation."

36. During the relevant time period, however, Mattei did not retain copies of the Client Option Agreement form for two customer accounts (the SS and EL accounts) and failed to secure completed Client Option Agreements for eleven customers (the RB, AB, DB, MC, AF, DH, OL, CL, BS, NY, and MB accounts) of a total of twenty one that FINRA sampled.

37. By the acts, practices and conduct described above, Mattei violated NASD Conduct Rules 3110 and 2110 (for that conduct occurring before December 15, 2008), and NASD Conduct Rule 3110 and FINRA Rule 2010 (for that conduct occurring on or after December 15, 2008) in that he caused Fordham to preserve inaccurate books and records in violation of NASD Conduct Rule 2860(b)(16). Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade.

SIXTH CAUSE OF ACTION

Failure to Appear for Testimony (FINRA Rules 8210 and 2010)

37. The Department realleges and incorporates by reference paragraphs 1 through 4 above.

38. Mattei appeared for sworn, on-the-record testimony in November 2008 and in October and November 2009. In an oral conversation between the staff and Mattei on November 22 2010, however, Mattei stated he had felt constrained by counsel in what he could say in his previous testimony and added that he had additional matters to disclose. Based on that representation, the staff wished to take additional testimony from Mattei. Though he initially

agreed to appear for additional testimony on a voluntary basis, Mattei stopped returning the staff's calls and e-mails.

39. Accordingly, on December 3, 2010, the staff sent Mattei a written request, pursuant to FINRA Rule 8210, that he appear for an on-the-record interview on December 16, 2010. This request was sent to Mattei via Federal Express and certified mail (return receipt requested) at the address listed for him in the Central Registration Depository. The certified mail receipt was signed by Mattei and dated December 6, 2010. A courtesy copy of the request was also sent to Mattei via electronic mail to an address Mattei had provided to the staff and through which he had been communicating with the staff. The request informed Mattei that failure to comply could result in sanctions, including a permanent bar from the securities industry.

40. On December 14, 2010, Mattei sent the staff an e-mail in which he refused to appear for the scheduled testimony, claiming that he was "disgusted with every facet of the [securities] industry."

41. Based on the foregoing, Mattei thereby failed to observe high standards of commercial honor and just and equitable principles of trade and violated FINRA Rules 8210 and 2010.

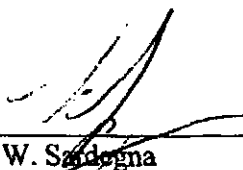
RELIEF REQUESTED

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.

FINRA DEPARTMENT OF ENFORCEMENT

Date: February 10, 2011



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