

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013231503**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Brandon J. Thompson, Respondent
CRD No. 1918634

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Brandon J. Thompson ("Thompson" or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Brandon J. Thompson was born in [REDACTED] and first became registered with FINRA in 1989. From March 1989 to September 1999, he worked as a financial consultant for Merrill Lynch, Pierce, Fenner & Smith, Inc. at that firm's offices in Oakland, California. From September 1999 to February 2008, he was a Branch Office Manager ("BOM") at Citigroup Global Markets, Inc. ("CGMI" or the "Firm") at the Firm's branch office in Palo Alto, California. From June 2007 to February 2008, although Thompson held the title of BOM, he was not at the branch because he was on an extended medical leave of absence. Thompson, as BOM, was responsible for supervisory oversight of the branch office. He has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

From April 2001 to June 2007 (the “relevant period”), Thompson violated NASD Conduct Rules 3010 and 2110 by failing to ensure reasonable supervision of customer accounts at the Firm’s branch office in Palo Alto, California.

As BOM, Thompson was responsible for supervisory oversight of the branch, including the supervision of customer accounts. During the relevant period, and in connection with his delegation of certain supervisory tasks to others at the branch, Thompson failed to implement a reasonable system of follow-up and review of the delegated tasks and failed to detect or investigate warning signs concerning the wrongful taking of customer funds by Tamara Moon, a former registered sales assistant who had been employed since 1996 at the Palo Alto branch.

In her role as registered sales assistant, Moon provided operational support to registered representatives including processing new account applications and addressing irregularities identified by certain exception reports, among other duties. In performing these tasks, Moon gained access to confidential client account information and used her knowledge of customer accounts, and lapses in the Firm’s supervisory practices at the branch, to take advantage of some of the Firm’s most vulnerable customers.

As early as 2001, Moon began a scheme to defraud CGMI customers. Relying on her industry knowledge and experience, and her familiarity with the Firm’s compliance and supervisory practices at the branch, Moon carefully targeted some of the Firm’s most vulnerable customers whom she believed were not monitoring their accounts. She forged client signatures, falsified account records and engaged in unauthorized trades, transfers and disbursements of customer funds. Victims of Moon’s misconduct included elderly widows, her own father and a senior with Parkinson’s disease. On March 31, 2008, the Firm terminated Moon after she admitted to misappropriating \$749,978 from at least 22 CGMI customers.¹

Although Thompson delegated certain supervisory functions to others at the branch, he remained responsible for the overall supervision of the delegated functions and was obligated to ensure that assigned supervisory tasks were reasonably performed. Thompson, however, failed to implement a reasonable system of follow-up and review, including the review of letters of authorization (LOAs) and certain exception reports (Experian Reports) concerning customer accounts.

For example, Thompson relied entirely on one of his managers to review LOAs without spot-checking or otherwise scrutinizing the review. LOAs authorize the Firm to effect transfers of funds, disbursements and changes to account information, including address changes. In practice, review of LOAs at the branch was typically limited to reviewing

¹ Letter of Acceptance, Waiver and Consent, No. 2008013231501 (April 3, 2009). Moon consented to a bar from associating in all capacities with a member firm. On June 29, 2011, Moon was indicted by federal criminal authorities on six counts of mail fraud.

the four corners of the LOA for completeness without reference to prior LOAs or account statements involving the same account.

Thompson's inadequate system of follow-up and review contributed to Moon's ability to use fraudulent LOAs to facilitate her misappropriation of customer funds. In one incident, for example, Moon issued a series of LOAs to channel money from customer accounts to Moon. Moon changed the residential account address on the fraudulent account created in her father's name to reflect Moon's residential address. On January 23, 2007 and January 26, 2007, two transfers were made from unrelated trust accounts to the fraudulent account totaling \$32,364.78. At the same time, a check-writing feature was added to the fraudulent account and a checkbook was sent to Moon's residential address. Transferred funds were subsequently disbursed to Moon using the newly-issued checks.

Additionally, Thompson did not ensure that a reasonable system of follow-up and review was consistently implemented, even when supervisory deficiencies were identified through the Firm's Risk and Control Self-Assessment (RCSA). For the third quarter 2006, the RCSA rated the branch's review of Experian Reports at the branch as "unsatisfactory." Experian Reports are a supervisory tool used by the Firm to detect red flags in new account applications, including information that may be inaccurate or false. The reports highlight mismatches between new account information and information kept in a third-party database. In 2006, the Firm sampled accounts at the branch and noted that in some cases mismatches had not been rectified and no follow-up had occurred.

In one case, for example, an Experian Report dated October 28, 2005 identified two mismatches that Moon was instructed to resolve: (i) "the road name in the address does not correspond to the city and zip in the address; and (ii) the prefix of the phone number does not match the zip code for the address." On the hard-copy of the report, Moon wrote "client moved to Arizona," an explanation that failed to address either of the two mismatches. Moon's explanation was accepted without further inquiry. Although Thompson delegated review of Experian Reports to others at the branch, he failed to follow-up and review to ensure that these delegated tasks were performed reasonably.

Based on the foregoing, Thompson's supervision of customer accounts at the branch was unreasonable and failed to ensure compliance with NASD rules and the federal securities laws. He failed to implement a reasonable system of follow-up and review concerning the supervision of customer accounts and as a result failed to detect or investigate warning signs concerning Moon's misconduct. Accordingly, Thompson violated NASD Conduct Rules 3010 and 2110.

B. Respondent consents to the imposition of the following sanctions:

1. a suspension from associating with any FINRA member in any capacity for 15 business days; and
2. a fine of \$10,000.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which he propose to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against him;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; and
- C. If accepted:
 - 1. This AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

10/11/11

Date

Brandon J. Thompson
Brandon J. Thompson, Respondent

Reviewed by:

Abe Lampart

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Accepted by FINRA:

11/30/11

Date

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

James E. Day

Associate Vice President, Chief Counsel
FINRA Department of Enforcement
1801 K Street NW
Washington, DC 20006