

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Guy Richardson
CRD No. 2926034,

Respondents

DISCIPLINARY PROCEEDING
No. 2008016382401

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Guy Richardson negligently misrepresented features of an investment to at least four customers and he failed to respond to FINRA staff's requests for information.

RESPONDENT AND JURISDICTION

2. Richardson entered the securities industry in July 1997 as an investment company/variable products representative of NYLife Securities LLC. Although Richardson has not been associated with a FINRA registered firm since May 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

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member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA firm and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be associated with a FINRA firm.

FIRST CAUSE OF ACTION
Negligent Misrepresentation of Investment
NASD Conduct Rule 2110

3. The Department realleges and incorporates by reference paragraphs 1-2 above.
4. In or about July 2007, customer KK told Richardson that he wanted to invest in a product that did not fluctuate and that would preserve his capital.
5. Richardson recommended that KK invest in a certain corporate bond fund ("the Fund") that Richardson represented to KK would bring a dividend yield of 6.5% return over the course of a year. Richardson also represented that the Fund's yield was "guaranteed." As a result of Richardson's representations, KK purchased shares of the Fund. KK invested approximately \$62,000 in the Fund.
6. Similarly, in or about February 2006, Richardson represented to customer TS that the same Fund was a "conservative investment" and that there was a "guaranteed" 6.75% return. TS informed Richardson that he wanted a stable and guaranteed investment that would not be subject to market fluctuations. As a result of Richardson's representations, TS purchased shares of the Fund. TS invested approximately \$180,000 in the Fund.
7. In March 2008, customer MA told Richardson that he wanted a stable and guaranteed investment that would not be subject to market fluctuations. Richardson represented

to customer MA that the same high-yield corporate bond Fund would not fluctuate with the market and that it was a 6.5% guaranteed annual return. As a result of Richardson's representations, MA purchased shares of the Fund. MA invested \$50,000 in the Fund.

8. In or about June 2008, customer RB told Richardson that she wanted to invest funds that she was saving for a down payment on a home. Richardson told RB that the Fund had a guaranteed 6.5% dividend yield. As a result of Richardson's representations, RB invested approximately \$25,000 in the Fund with Richardson after he told her that there was a 6.5% guaranteed dividend yield.
9. Contrary to Richardson's representations, the Fund did not have a guaranteed dividend yield or return. According to the Fund prospectus, the Fund's objective was to seek maximum current income through investment in a diversified portfolio of high-yield debt securities.
10. Moreover, the Fund's semi-annual report, which was sent to Richardson, stated that "The Fund invests in high yield debt securities (sometimes called junk bonds), which are generally considered speculative because they present a greater risk of loss, including default, than higher quality debt securities. These securities pay investors a premium—a high interest rate or yield—because of the increased risk of loss. These securities can also be subject to greater price volatility."
11. Richardson negligently made misrepresentations about the Fund without making attempts to verify that what he told the customers about the 6.5% guaranteed dividend yield in the corporate bond fund was accurate.

12. As a result of the foregoing, Richardson negligently misrepresented the investment in the high yield corporate bond Fund to at least four customers, in violation of NASD Rule 2110.

SECOND CAUSE OF ACTION

Failure to Respond

Rules 8210 and 2010

13. The Department realleges and incorporates by reference paragraphs 1-13 above.
14. On or about April 8, 2010, FINRA Staff sent a letter via first class mail and certified mail, return receipt requested, pursuant to Rule 8210, to Richardson's CRD address of record.
15. The Rule 8210 written requests sought information concerning additional customer complaints about representations Richardson made in connection with various investments.
16. The first class letter was not returned and the certified mailing was returned marked, "unclaimed."
17. On or about May 7, 2010, staff sent a second request for information pursuant to Rule 8210 to Richardson's CRD address, seeking information about several additional customer complaints. The request was sent by first class mail and by certified mail, return receipt requested.
18. The first class mailing was not returned and the certified mailing was returned marked, "Unclaimed."

19. To date, Richardson has not responded to the requests for information and the deadline for responding has passed.

20. As a result of the foregoing, Richardson violated FINRA Rules 8210 and 2010.

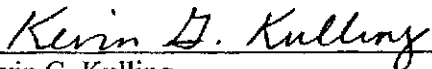
RELIEF REQUESTED

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: April 4, 2011


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