

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CHRISTOPHER LOONEY
(CRD No. 1836267),

Respondent.

Disciplinary Proceeding
No. 2009016159104

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period June 2009 through December 2009, Respondent Christopher Looney, a registered representative at iTRADEdirect.com (iTrade), submitted purchase orders for five potential customers who never agreed to open an account with Looney or his firm, and never agreed to purchase any securities through him. In addition, he falsified new account information records regarding three of those potential customers. By virtue of this conduct, Looney violated FINRA Rule 2010 and NASD Rules 2310 and 3110.

2. In addition, Looney engaged in excessive trading and churning in the account of another customer during the period July through October 2008, thereby violating NASD Rules 2110, 2120, and 2310; IM-2310-2; Section 10(b) of the Securities Exchange Act of 1934; and Rule 10b-5 thereunder.

RESPONDENT AND JURISDICTION

3. Looney was employed by twelve FINRA firms between May 1989 and April 2011. He was a registered representative with iTrade from May 20, 2008 until April 26, 2010. After leaving iTrade, he worked for two other firms until April 11, 2011. Looney has held Series 7 (general securities representative), Series 24 (general securities principal), and Series 63 (state agent) licenses.

4. In June 2010, Looney submitted an Offer of Settlement in a FINRA disciplinary proceeding (Complaint No. 2008013531001) pursuant to which he was suspended for ten business days and fined \$10,000 for failing to disclose an outside business activity.

5. Although Looney is no longer registered or associated with a FINRA member, 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 effective date of termination of Looney's last registration with a FINRA member, April 11, 2011, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FIRST CAUSE OF ACTION

Unauthorized Trading (FINRA Rule 2010)

6. Paragraphs 1-5 are repeated and realleged herein.

J.K.

7. In June 2009, Looney cold called “J.K.”¹ a resident of Chicago, Illinois, numerous times in an effort to convince J.K. to open an account with iTrade and buy Citigroup stock.

8. J.K. repeatedly told Looney he was not interested in doing so, but Looney persisted, and on or about June 29, 2009, J.K. told Looney to send some information.

9. On June 29, 2009, Looney bought 300 shares of Citigroup stock for J.K., although J.K. never agreed to open an account or purchase any stock with Looney or anyone at iTrade.

10. Shortly thereafter, J.K. received a Federal Express package from iTrade, but threw it out because he was not interested in doing business with Looney.

11. Looney represented on a New Account Information sheet that J.K. had an annual income of \$100,000, net worth of \$4,000,000, extensive experience in stocks, bonds, and mutual funds, and moderate experience in options. In reality, J.K.’s income was approximately \$25,000. His net worth had never been \$4,000,000, and he had never bought a bond, mutual fund, or option.

M.K.

12. In or about December 2009, Looney cold called “M.K.,” a resident of Los Angeles, California. Looney tried to convince M.K. to open an account at iTrade and buy Citigroup stock.

13. M.K. agreed to consider opening an account with iTrade, but specifically told Looney he wanted to research the stock.

¹ Enforcement will submit a supplemental filing identifying the customers with filing of this Complaint.

14. Looney placed an order for the purchase of 250 shares of Citigroup on December 4, 2009.

15. M.K. filled out and returned the new account forms Looney sent him, but decided to buy Citigroup through another account he had elsewhere. When he called Looney to tell him he had decided against doing business with iTrade, Looney told M.K. he had already bought the Citigroup stock for him.

C.J.

16. In or about November 2009, Looney cold called "C.J.," a resident of Toledo, Ohio. Looney tried unsuccessfully to convince C.J. to open an account at iTrade and purchase Citigroup and other stocks.

17. On or about November 17, 2009, Looney placed an order to purchase 1,000 shares of Citigroup stock for C.J. without C.J.'s authorization.

18. C.J. received a package from iTrade, which he shredded.

19. Looney represented on a New Account Information sheet that C.J. had extensive experience in stocks, bonds, and mutual funds, moderate experience in options, and a net income of more than \$100,000.

20. In reality, C.J. had limited to no experience in stocks, bonds, options, and mutual funds and an annual income of approximately \$55,000. C.J. never told Looney that he had extensive trading experience or a net income of \$100,000.

P.V.

21. In or about November 2009, Looney cold called "P.V.," a resident of Chicago, Illinois. Looney tried to convince P.V. to open an account at iTrade and purchase Citigroup stock.

22. P.V. told Looney he could send some information about Citigroup for P.V. to review, but never agreed to open an account or purchase any stock with Looney or anyone at iTrade.

23. On November 23, 2009, Looney placed an order to purchase 500 shares of Citigroup for P.V. without authorization.

24. Looney created a New Account Information sheet indicating that P.V. had annual income of \$175,000, a net worth of \$1,000,000, extensive experience in stocks, bonds, and mutual funds, moderate experience in options, high risk tolerance, and an investment objective of trading/speculation.

25. Looney never asked P.V. about his income or net worth. In reality, P.V.'s income and net worth were lower than that reported by Looney, and P.V. was a risk-averse investor who had minimal experience with stocks and mutual funds.

G.F.

26. On or about December 1, 2009, Looney cold called "G.F.," a resident of Broken Arrow, Oklahoma. Looney tried to convince G.F. to open an account at iTrade and buy Citigroup stock.

27. G.F. told Looney that while he might be inclined to buy Citigroup at some point, he was not interested in purchasing any stock with someone over the phone. G.F. never agreed to open an account or purchase any stock with Looney or anyone at iTrade.

28. Looney never asked G.F. about his investment objectives or risk tolerance.

29. On December 1, 2009, Looney placed an order to buy 500 shares of Citigroup for G.F. without his authorization.

30. Looney violated FINRA Rule 2010 by making unauthorized purchases of securities on behalf of J.K., M.K., C.J., P.V., and G.F.

SECOND CAUSE OF ACTION

False Books and Records (NASD Rules 3110 and 2110)

31. Paragraphs 1-30 are repeated and realleged herein.

32. Looney created New Account Information sheets for potential customers C.J., J.K., and P.V. which misrepresented their investment objectives, risk tolerances, and financial conditions.

33. The New Account Information sheets were records relating to iTrade's securities business, and contained information required under Securities Exchange Act Rule 17a-3(a)(17)(i)(A).

34. In addition, the firm used the information on the New Account Information sheets to generate New Account Forms, which were also records containing information required under Securities Exchange Act Rule 17a-3(a)(17)(i)(A).

35. By creating these false books and records, Looney violated NASD Rule 3110 and FINRA Rule 2010.

THIRD CAUSE OF ACTION

Excessive and Unsuitable Trading (NASD Rules 2310 and 2110; IM-2310-2)

36. Paragraphs 1-5 are repeated and realleged herein.

37. "S.P." opened two accounts with Looney in July 2008, an individual account and a trust account. At the time he opened the account, S.P. was 83 years old.

38. Contrary to the information on S.P.'s new account documentation at iTrade, S.P. had a moderate risk tolerance and an investment objective of growth. He was not seeking speculative investments.

39. Looney effectively controlled the trading in S.P.'s account. In fact, Looney did not even discuss all trades with S.P. before placing them, and S.P. relied heavily on Looney's advice in making investment decisions.

40. Looney traded S.P.'s account very aggressively. Between July and October 2008, Looney, while exercising effective control over S.P.'s account, effected numerous and excessive transactions in S.P.'s account.

41. When S.P. opened his individual account at iTrade in July 2008, it had a value of at least \$155,000. By October 31, 2008, Looney had driven the value down to under \$1,500 dollars. He caused S.P. to enter into 77 trades in four months, with 40 trades being made in September 2008 alone.

42. Looney's trading in S.P.'s account during the period August 1, 2008 through October 31, 2008 generated a cost-to-equity ratio of approximately 82.42% (329.68%

annualized), a commission-to-equity ratio of approximately 82.05% (328.2% annualized), and a turnover rate of approximately 66.52 (266.08 annualized).

43. This activity generated a total of \$54,688 in commissions, approximately 70% of which, or \$38,282, went to Looney.

44. By virtue of the foregoing, Looney violated IM-2310-2 and NASD Rules 2310 and 2110.

FOURTH CAUSE OF ACTION

Excessive and Unsuitable Trading (Securities Exchange Act §10(b); Rule 10b-5 thereunder; NASD Rules 2120 and 2110)

45. Paragraphs 1-5 and 36-44 are repeated and realleged herein.

46. Looney engaged in the acts and practices described in the Third Cause of Action above with the intention of generating commissions and not to serve the interests of S.P.

47. As part of this course of conduct, Looney, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; or effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

48. By virtue of the foregoing, Looney violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and NASD Rules 2120 and 2110.

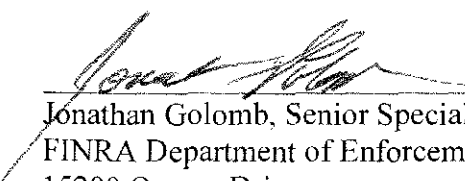
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent(s) committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest, be imposed; and
- C. order that Respondents 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: March 25, 2013


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