

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016159109**

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

RE: Adam Sclafani, Respondent
Registered Representative
CRD No. 2735036

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Respondent entered the securities industry in 1996, and has been associated with thirteen firms. He was registered with iTRADEdirect.com (iTrade) from March 2005 until April 2010. Respondent has held Series 7 (General Securities Representative), Series 62 (Corporate Securities Limited Representative) and Series 63 (Uniform Securities Agent—State Law Examination) licenses. His last registration with a member firm was terminated by the filing of a Form U5 on June 18, 2013.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant disciplinary history.

OVERVIEW

While acting as a registered representative at iTrade, Respondent Adam Sclafani engaged in excessive trading in the accounts of three customers, causing the customers' accounts to be turned over 42-99 times, and to incur cost-to-equity

ratios of 164-312%. In addition, he opened accounts and placed initial trades for three individuals without their authorization, and made unauthorized transactions in two other accounts. He also made recommendations to these customers without a reasonable basis for doing so, and caused the creation of inaccurate books and records as to another.

FACTS AND VIOLATIVE CONDUCT

Excessive Trading

During the period May 2007 through February 2010, Respondent engaged in excessive trading in the accounts of three of his customers. Excessive trading is generally measured in two ways: the turnover rate, and the cost-to-equity ratio. The turnover rate represents the number of times the value of the account is turned over within a given period of time. It is calculated by dividing the aggregate amount of the purchases by the average monthly investment. The cost-to-equity ratio is the percentage of return on the customer's average net equity needed to pay commissions and other account expenses. The cost-to-equity ratio also represents the amount an account would have to earn to break even. At the time of the conduct at issue here, excessive trading violated NASD Rules 2310(a) and 2110 and FINRA Rule 2010.¹

Respondent effectively exercised control over the trading done by the customers at issue here. During the period May 2007 through February 2010, the accounts of the three customers had turnover rates of 42, 44 and 99, and annualized cost-to-equity ratios of 164%, 169%, and 312%, as described below:

- In one account, Respondent caused the customer to enter into 63 trades during the 15 month period May 2007 through July 2008. During this time, the account had an annualized turnover ratio of approximately 44, based on \$1,276,901 in purchases and an average monthly equity of \$23,051. The annualized cost-to-equity ratio was approximately 169%.
- In another account, opened in February 2009, Respondent caused the customer to enter into 74 trades during the 13 month period February 2009 through February 2010. During this time, the account had an annualized turnover ratio of approximately 99, based on \$1,174,094 in purchases and an average monthly equity of \$10,974. The annualized cost-to-equity ratio was approximately 312%.

¹ NASD Rule 2110 has been superseded by FINRA Rule 2010, eff. Dec. 15, 2008. NASD Rule 2310 has been superseded by FINRA Rule 2111, eff. July 19, 2012.

- In a third account, opened in March 2009, Respondent caused the customer to enter into 64 trades during the nine month period March 2009 through November 2009. During this time, the account had a turnover ratio of approximately 42, with \$617,970 in purchases based on average monthly equity of \$14,789. The cost-to-equity ratio was approximately 164%.

By virtue of this conduct, Respondent engaged in excessive trading and violated NASD Rules 2310(a) and 2110, and FINRA Rule 2010.

Unauthorized Trading

Unauthorized new accounts and trades

During the period August 2009 through December 2009, Respondent opened or participated in the opening of accounts, and the placement of initial purchase orders, for three individuals who did not agree to open accounts or make trades through iTrade. In all three instances, the trades were cancelled when the customers refused to pay for them. Respondent recommended that the customers purchase certain securities, but he did not obtain sufficient information about the customers' investment objectives, risk tolerances, and/or financial conditions to have a reasonable basis for those recommendations. In addition, in one instance, Respondent created new account documents which contained inaccurate information about the customer's net worth and investment objectives.

By opening these accounts without authorization and placing unauthorized trades in these accounts, Respondent violated FINRA Rule 2010. By making recommendations without a reasonable basis, he violated NASD Rule 2310 and FINRA Rule 2010. Finally, by creating inaccurate new account records, Respondent violated NASD Rule 3110 and FINRA Rule 2010.

Other unauthorized trades

In addition, Respondent engaged in unauthorized trading in the account of an existing customer. In January 2009, Respondent purchased 500 shares of an exchange traded fund for one customer. When that customer did not pay for the trade, Respondent caused the transaction to be placed in the account of another customer without the latter customer's authorization. At the time of the unauthorized trade, the value of the shares had already decreased by approximately \$3,000. By virtue of this conduct, Respondent violated FINRA Rule 2010.

Finally, Respondent made unauthorized trades and used margin without authorization in the account of another customer. When the customer opened an account with Respondent in September 2009, he agreed to purchase one of the two securities recommended by Respondent, but only agreed to consider

purchasing the other security after he had a chance to research it. The customer also told Respondent not to purchase any securities on margin. Notwithstanding this, Respondent placed an order to buy the second security. Respondent cancelled the purchase after the customer complained. Respondent also induced the customer to sign a margin agreement in case the customer later wanted to use margin, but purchased securities on margin contrary to the customer's instruction not to do so. Thereafter, Respondent made four other purchases without authorization in this customer's account during November 2009. This conduct violated FINRA Rule 2010.

* * *

By engaging in the foregoing conduct, Respondent violated NASD Rules 2110, 2310(a), and 3110 and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

1. a fifteen month suspension from association with any FINRA member;
and
2. a fine in the amount of \$10,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the fifteen month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

I understand that if I am suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

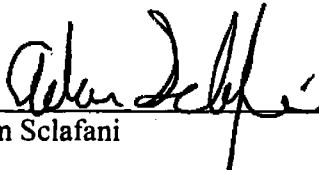
I understand that:

- 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

10/18/13
Date


Adam Scialfani

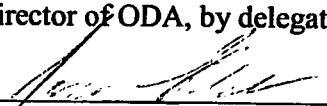
Reviewed by:


Charles M. O'Rourke
Counsel for Respondent
2 Swenson Drive
Woodbury, NY 11797
(516) 677-9785

Accepted by FINRA:

Oct 31, 2013
Date

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



Jonathan Golomb
Senior Special Counsel
FINRA Department of Enforcement
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Rockville, MD 20850