

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

BRADFORD K. DENT
(CRD No. 1588966),

Respondent.

Disciplinary Proceeding
No. 2009016893101

Hearing Officer – MC

DEFAULT DECISION

July 1, 2011

Respondent is barred from associating with any FINRA member firm in any capacity for engaging in unauthorized transactions in customer accounts, in violation of NASD Rule 2110 and IM-2310-2, and for failing to respond to requests for information and to provide on-the-record testimony, in violation of FINRA Rules 8210 and 2010.

Appearances

Laura Leigh Blackston, Senior Regional Counsel, and Andrew A. Favret, Regional Chief Counsel, New Orleans, Louisiana, for the Department of Enforcement.

No appearance by or on behalf of Respondent Bradford K. Dent.

DECISION

The Department of Enforcement filed the attached two-cause Complaint on February 9, 2011. The First Cause of Action charges Respondent Bradford K. Dent with entering unauthorized trades in two customer accounts, in violation of NASD Conduct

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Rule 2110 and IM-2310-2.¹ The Second Cause of Action charges Dent with failing to respond to requests for information issued by FINRA staff pursuant to FINRA Rule 8210, and failing to appear to provide on-the-record testimony, in violation of FINRA Rules 8210 and 2010.

Enforcement served the Complaint and Notices of Complaint upon Dent by certified mail at his residential address as it appears in FINRA's Central Registration Depository. Dent failed to respond to the Complaint. Consequently, on May 2, 2011, Enforcement filed a Motion for Entry of Default Decision ("Default Motion") supported by the Declaration of Laura Leigh Blackston and seven exhibits.²

I. Findings of Fact and Conclusions of Law

A. Jurisdiction

Dent entered the securities industry in December of 1986. From October 1997 until June 13, 2008, Dent was associated with FINRA member firm Carty & Company, Inc. ("Carty"), through which he was registered with FINRA as a General Securities Principal, General Securities Representative, Equity Trader, and Municipal Fund Securities Principal. Following his employment with Carty, Dent was registered through another FINRA member firm until March 5, 2009.³

¹ As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. *See* Regulatory Notice 08-57 (Oct. 2008). Dent placed the unauthorized trades alleged in the First Cause of the Complaint in April and May 2008, in violation of NASD Conduct Rule 2110 and IM-2310-2. FINRA Conduct Rule 2010 replaced NASD Conduct Rule 2110, to which it is identical, as of December 15, 2008. Thus, Dent's failures to respond to requests for information issued to him from February through April 2009, and his failure to appear to provide on-the-record testimony in August 2009, violated FINRA Rules 8210 and 2010. The rules are available at www.finra.org/rules.

² Enforcement's exhibits will be referred to as "CX-__," with the appropriate exhibit and page numbers. The Declaration of Laura Leigh Blackston will be referred to as "Decl." or "Blackston Declaration," with citation to specific paragraphs.

³ Decl. ¶ 6; CX-1.

Because Enforcement filed the Complaint within two years of the last date of Dent's registration, and the Complaint alleges misconduct that occurred while Dent was registered with FINRA and other misconduct that occurred less than two years after he was last registered, FINRA retains jurisdiction over him for the purposes of this disciplinary proceeding.⁴

B. Default

Enforcement sent the Complaint and Notice of Complaint by certified mail to Dent at his CRD address on February 9, 2011.⁵ The mailing was returned to Enforcement stamped "Unable to Forward" on March 15, 2011.⁶ When Dent did not file an Answer, Enforcement sent the Complaint and Second Notice of Complaint to Dent at his CRD address on March 10, 2011. Once again, the mailing was returned to Enforcement, this time stamped "Not Deliverable As Addressed" and "Unable to Forward."⁷ As before, Dent failed to file an Answer to the Complaint.⁸

By serving the Complaint, Notice of Complaint, and Second Notice of Complaint upon Dent by first-class certified mail at his CRD address, Enforcement complied with the requirements of Rule 9134 and provided him with constructive notice that the Complaint had been filed.⁹ By failing to file an Answer, Dent defaulted. Accordingly, pursuant to Rules 9215(f) and 9269(a)(2), and for the reasons set forth below, the Default Motion is granted.¹⁰

⁴ Article V, Section 4, FINRA By-Laws.

⁵ Decl. ¶ 24.

⁶ Decl. ¶ 25; CX-5.

⁷ Decl. ¶ 29; CX-7.

⁸ Decl. ¶ 31.

⁹ FINRA Procedural Rule 9134(a); *Dep't of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) (*citing Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998)).

¹⁰ The factual determinations in this Default Decision are based on the allegations of the attached Complaint, which are deemed admitted, as well as the Blackston Declaration and the exhibits filed by Enforcement.

C. Violations

Enforcement began the investigation that led to the filing of the Complaint in this matter on February 9, 2009, after Carty notified FINRA that Dent entered unauthorized trades in two customer accounts. In the course of its investigation, FINRA received information from the two customers whose accounts were involved and made multiple, unsuccessful efforts to obtain additional information from Dent.¹¹

1. Dent Entered Unauthorized Transactions in Customer Accounts

During the spring of 2008, Dent suffered a series of losses from trading in Carty's error account.¹² In an apparent attempt to conceal the losses, from approximately April 25 through May 9, 2008, Dent entered unauthorized trades in two customer accounts, *intending them to offset trades in the error account that would conceal from Carty the earlier, unrelated trading losses he had incurred.*¹³

The transactions were significant. On April 25, 2008, Dent bought stock for \$1,134,754 in the account of customer AC and sold it on the same day for \$1,008,240.35, for a total loss to AC of \$126,513.65. AC did not authorize the trades and had not provided discretionary authority to Dent to trade on his behalf. Dent then entered offsetting trades in the error account, which reflected a profit in it equal to the loss in AC's account.¹⁴

From May 9 through May 28, 2008, Dent entered nine unauthorized transactions in the account of customer JP. JP did not authorize the trades and had not provided Dent

¹¹ Decl. ¶ 9.

¹² Decl. ¶ 10. An error account is a firm account into which deposits are made to compensate for trades made in error in other accounts.

¹³ Decl. ¶ 11.

¹⁴ Decl. ¶ 12.

with discretionary authority to trade on his behalf. Because JP discovered the trades and complained, Dent cancelled the trades.¹⁵

When Carty's Chief Executive Officer learned of the unauthorized transactions, he interviewed Dent by telephone, and recorded the conversation. In it, Dent admitted to entering the trades in Carty's error account and in AC's account to cover losses he had incurred in unrelated trades in the error account.¹⁶ Dent also admitted entering the unauthorized trades in JP's account.¹⁷

These facts, as alleged in the Complaint and supported by the Blackston Declaration and Enforcement's exhibits, suffice to establish that Dent entered unauthorized trades in two customer accounts, in violation of NASD Conduct Rule 2110 and IM-2310-2.

2. Dent Failed to Respond to Requests for Information and Failed to Appear for On-the-Record Testimony

After learning of the allegations that Dent had engaged in unauthorized transactions, Enforcement issued three requests pursuant to FINRA Rule 8210 for Dent to provide information relating to the allegations. The first two requests, issued on February 23 and March 26, 2009, were sent by certified and regular first-class mail to Dent at his CRD address. The delivery receipt for the first certified mailing was returned with the signature "Brad K. Dent," and the receipt for the second certified mailing was returned with the signature "Brad Dent." The first-class mailings were not returned. Dent did not respond to the requests.¹⁸

¹⁵ Decl. ¶ 15.

¹⁶ Decl. ¶ 13.

¹⁷ Decl. ¶ 16.

¹⁸ Decl. ¶ 20.

Enforcement sent the third request for information pursuant to Rule 8210 on April 13, 2009. As it did with the earlier requests, Enforcement sent the request to Dent at his CRD address by certified and regular first-class mail. This time, the certified mailing was returned stamped “Unclaimed.” The first-class mailing was not returned. As before, Dent failed to respond to the request.¹⁹

Finally, on August 4, 2009, Enforcement issued a request pursuant to Rule 8210 for Dent to appear at FINRA’s New Orleans District Office for an on-the-record interview. Enforcement sent this request to Dent at his CRD address by both certified and regular first-class mail. The certified mailing was returned stamped “Unclaimed.” The first-class mailing was not returned. Dent did not appear to provide the requested testimony.²⁰

These facts, alleged in the Complaint and supported by the Blackston Declaration, suffice to establish that Dent failed to provide information and on-the-record testimony as requested by Enforcement pursuant to Rule 8210. By failing to do so, Dent violated FINRA Rules 8210 and 2010.

II. Sanctions

Enforcement recommends the imposition of a bar for each of Dent’s rule violations. In light of the facts, and for the reasons set forth below, Enforcement’s recommendation is reasonable and appropriate to deter Dent and others from similar misconduct.

¹⁹ Decl. ¶ 21.

²⁰ Decl. ¶ 22.

A. Dent's Unauthorized Transactions

A person associated with a member firm violates NASD Conduct Rule 2110 when in the course of his business he engages in misconduct that violates just and equitable principles of trade.²¹ The ethical requirements of Rule 2110 apply to conduct that reflects on a respondent's "ability both to comply with regulatory requirements fundamental to the securities business and to fulfill his fiduciary responsibilities in handling other people's money."²² Here, Dent's misconduct occurred in the course of his employment as a registered person. The acts of entering unauthorized trades in customer accounts directly reflect on his inability to comply with the requirements incumbent upon one whose profession involves handling the money of others.

IM-2310-2, entitled "Fair Dealing with Customers," notes that a "fundamental responsibility for fair dealing" is implicit in all relationships between a registered representative and customers. IM-2310-2(b)(4)(iii) specifically defines entering transactions unauthorized by a customer as prohibited fraudulent activity.

FINRA's Sanction Guidelines for unauthorized trading recommend that adjudicators consider imposing a fine of \$5,000 to \$75,000 and a suspension in any or all capacities for ten business days to one year. The Guidelines suggest consideration of a bar in egregious cases.²³ The Guidelines set forth two applicable Principal Considerations: (i) whether the respondent misunderstood his authority; and (ii) whether the trading was egregious. The Guidelines note that the National Adjudicatory Council has identified several categories of egregious unauthorized trading. One category is "qualitatively egregious" unauthorized trading. The factors that determine whether

²¹ *Dep't of Enforcement v. Shvarts*, No. CAF980029, 2000 NASD Discip. LEXIS 6, at *18 (N.A.C. June 2, 2000).

²² *Id.* at *35, n.21 (quoting *James A. Goetz*, Exch. Act Rel. No. 39796, 1998 SEC LEXIS 499, at *11 (Mar. 25, 1998)).

²³ *FINRA Sanction Guidelines*, p. 100 (2011).

unauthorized trading is qualitatively egregious are the strength of the evidence, a respondent's motives, i.e., whether the respondent acted in bad faith or as a result of a reasonable misunderstanding.²⁴

In this case, there is no evidence that Dent's unauthorized trades arose because he misunderstood authority given him by the two customers. The customers never authorized the trades. Furthermore, Dent's explanation for entering the unauthorized trades – to enable him to cover up losses he had incurred by trading in Carty's error account – eliminates any possibility that his misconduct resulted from a misunderstanding. He caused loss to one customer, and risked loss to another, to mislead Carty about his responsibility for losses he had caused to the firm.²⁵ For these reasons, Dent's unauthorized trades were qualitatively egregious, and a bar is the appropriate sanction to protect the investing public.

B. Dent's Failures to Provide Information and On-the-Record Testimony

For failure to respond to a request for information issued pursuant to Procedural Rule 8210, the Sanction Guidelines recommend a bar. If there are mitigating factors, the Guidelines recommend consideration of a suspension in any or all capacities for up to two years.²⁶ In this case, there are no mitigating factors. Dent did not respond in any manner to repeated requests for information properly issued by FINRA pursuant to Procedural Rule 8210.

Conduct Rule 2010 and Procedural Rule 8210 are "crucial components of [FINRA's] examinations and investigations. ... Procedural Rule 8210 gives [FINRA] the right to require a member or person associated with a member to provide information, orally or in writing, in

²⁴ *Id.*, n.2.

²⁵ Carty reimbursed customer AC for his losses; as noted, Dent cancelled the unauthorized trades he entered in JP's account, so JP suffered no loss. For these reasons, Dent is not ordered to pay restitution. Decl. ¶¶ 13, 15.

²⁶ *Guidelines* at 33.

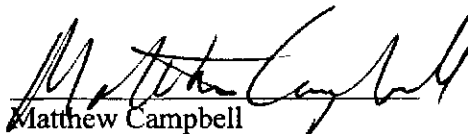
connection with an examination or investigation. The rule further states that no member or person shall fail to provide such information."²⁷ As for sanctions, the Guidelines treat a failure to respond as egregious.²⁸

For these reasons, Enforcement's recommendation of a bar from the securities industry is appropriate for Dent's failure to respond to FINRA's requests for information.

III. Order

Respondent Bradford K. Dent is barred from associating with any FINRA member firm in any capacity for entering unauthorized trades in customer accounts, in violation of NASD Conduct Rule 2110 and IM-2310-2, and for failing to respond to requests for information and to provide on-the-record testimony issued pursuant to Rule 8210, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010.

If this Decision becomes FINRA's final disciplinary action, the bars shall be effective immediately.


Matthew Campbell
Hearing Officer

Copies to:

Bradford K. Dent (*via overnight courier and first-class mail*)
Laura Leigh Blackston, Esq. (*via e-mail and first-class mail*)
Mark P. Dauer, Esq. (*via e-mail*)
David R. Sonnenberg, Esq. (*via e-mail*)

²⁷ *Dep't of Enforcement v. Masceri*, No. C8A040079, 2006 NASD Discip. LEXIS 29, at *35-36 (N.A.C. Dec. 18, 2006).

²⁸ *Id.* at *41.

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Bradford K. Dent
(CRD No. 1588966),

Respondent.

DISCIPLINARY PROCEEDING
No. 2009016893101

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Bradford K. Dent ("Dent"), while registered with Carty & Company, Inc., placed unauthorized transactions in two firm customer accounts resulting in losses of \$126,513.65. In addition, Dent failed to respond to three requests for information sent by FINRA staff and failed to appear for an on-the-record interview, each requested pursuant to FINRA Rule 8210.

RESPONDENT AND JURISDICTION

2. Dent became registered with FINRA on December 26, 1986, as a General Securities Representative. During all periods mentioned herein, Dent was associated with Carty & Company, Inc. (the "Firm") and was registered with FINRA under Article V of the

By-Laws as a General Securities Principal, General Securities Representative, Equity Trader, and Municipal Fund Securities Principal.

3. Although Dent has not been associated with a FINRA member firm since March 5, 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 respond to FINRA requests for information and 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.

FIRST CAUSE OF ACTION

**NASD Rules 2110 and IM-2310-2 – Unauthorized Transactions,
Against Bradford K. Dent.**

4. The Department realleges and incorporates by reference paragraphs 1 through 3 above.
5. During the spring of 2008, Dent had been day trading in the Firm's error account, and had suffered a series of losses, including a substantial loss of approximately \$90,000 on transactions involving the stock of Bear Stearns Companies, Inc.
6. On or about April 25, 2008, through on or about May 9, 2008, Dent sought to camouflage the losses in the error account by entering trades in customer accounts

with offsetting trades in the Firm's error account. During this time period, Dent placed unauthorized transactions in two firm customer accounts.

7. On April 25, 2008, Dent bought 25,000 shares of Southwestern Energy Co. Delaware stock for \$1,134,754 in the account of customer AC and sold it the same day for \$1,008,240.35, creating a loss in AC's account of \$126,513.65. AC did not authorize the transactions, and AC's account was not a discretionary account. Dent entered offsetting trades in the Firm's error account, creating a profit in the Firm's error account equal to the loss in AC's account.
8. In addition, from May 9, 2008, through May 28, 2008, Dent placed nine unauthorized transactions in the account of customer JP and then cancelled the trades after JP complained. JP did not authorize the transactions, and JP's account was not a discretionary account. JP suffered no losses due to the cancellation of the trades.
9. Such acts, practices, and conduct constitute violations of NASD Rules 2110 and IM-2310-2 by Respondent Dent.

SECOND CAUSE OF ACTION

FINRA Rules 8210 and 2010 – Failure to Respond to Requests for Information and Failure to Appear for On-the-Record Testimony, Against Bradford K. Dent.

10. The Department realleges and incorporates by reference paragraphs 1 through 9 above.
11. On February 23, 2009, pursuant to FINRA Rule 8210, the investigative staff sent a letter to Dent requesting documents and information relating to his alleged misconduct. The letter instructed Dent to provide the requested documents and

information by March 9, 2009. The letter was mailed via certified mail, return receipt requested, and via first class mail to Dent's residential address of record in CRD ("CRD address"). The staff received a signed delivery receipt for its certified mailing, bearing the signature "Brad K. Dent" and dated March 3, 2009. Dent, however, did not respond to the staff's letter.

12. On March 26, 2009, pursuant to FINRA Rule 8210, the investigative staff sent a second letter to Dent requesting documents and information relating to his alleged misconduct. The letter instructed Dent to provide the requested documents and information by April 9, 2009. The letter was mailed via certified mail, return receipt requested, and via first class mail to Dent's CRD address. The staff received a signed delivery receipt for its certified mailing, bearing the signature "Brad Dent" and dated March 30, 2009. Dent, however, did not respond to the staff's letter.
13. On April 13, 2009, pursuant to FINRA Rule 8210, the investigative staff sent a third letter to Dent requesting documents and information relating to his alleged misconduct. The letter instructed Dent to provide the requested documents and information by April 27, 2009. The letter was mailed via certified mail, return receipt requested, and via first class mail to Dent's CRD address. The certified mailing was returned to the staff bearing an "Unclaimed" stamp. The letter sent by regular mail was not returned. Again, Dent did not respond to the staff's letter.
14. By letter dated August 4, 2009, FINRA staff requested that Dent appear, pursuant to FINRA Rule 8210, at FINRA's New Orleans District office on August 21, 2009, and provide on-the-record testimony regarding the allegations detailed in the First Cause of Action. The letter was mailed via certified mail, return receipt requested, and via

first class mail to Dent's CRD address. The letter sent by regular mail was not returned. The certified mailing was returned to the staff bearing an "Unclaimed" stamp. To date, despite proper service of the 8210 request, Dent has not appeared and provided the requested testimony.

15. Such acts, practices, and conduct constitute violations of FINRA Rules 8210 and 2010 by Respondent Dent.

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 9, 2011


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