

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Joshua Albert Galiani
(CRD No. 2864225),

Respondent.

DISCIPLINARY PROCEEDING
No. 2009017619001

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Joshua Albert Galiani (Galiani) prepared fictitious account documents and provided them to an elderly customer to hide the substantial losses in that customer's account. He also made material false oral representations to that customer concerning the value of his investments. This conduct was in violation of NASD Conduct Rule 2110 and IM-2310-2.¹

RESPONDENT AND JURISDICTION

2. Galiani first became registered with FINRA as a General Securities Representative on May 16, 1997.
3. From April 8, 2003 to September 14, 2009, Galiani was registered in the same capacity though member firm Petersen Investments, Inc. (Firm).

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 the consolidation, FINRA began developing a new consolidated rulebook, the first phase of which became effective on December 15, 2008. This Complaint, however, refers to and alleges violations of NASD Conduct Rules that were in effect at the time of Galiani's misconduct.

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4. Although Respondent has not been associated with a FINRA member firm since September 14, 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.

CAUSE OF ACTION

False Representations to Customer and Fictitious Account Statements (NASD Conduct Rule 2110 and IM-2310-2)

5. The Department realleges and incorporates by reference paragraphs 1-4 above.
6. From 2005 through 2007 (the relevant time period), Galiani was the broker of record for elderly customer RC's securities accounts at the Firm.
7. During the relevant time period, Galiani engaged in an investment strategy that resulted in a principal loss of \$662,108 in RC's account.
8. RC primarily relied on Galiani's verbal representations regarding the performance of his accounts and was unaware of the decline in his account balances.
9. Galiani repeatedly told RC, throughout the relevant time period, to disregard the confirmations and statements sent to him by the Firm because Galiani claimed that the majority of RC's money was held in a third account, which he described to RC as an "institutional account," that was not reflected on such documents.
10. RC subsequently demanded that Galiani provide him with statements for the "institutional account."
11. On or about October 30, 2007, Galiani created and provided RC with two fictitious Firm account summaries that overstated RC's actual holdings at the Firm by approximately \$600,000.

12. On that same date, Galiani also created and provided RC with a fictitious account statement for the "institutional account," reflecting a purported value of \$682,861.55.
13. The "institutional account" was a complete fabrication by Galiani. No such account existed.
14. The account number listed on the "institutional account" statement related to a closed account previously held by a relative of Galiani.
15. By creating false brokerage account documents and making material false representations to a customer, Galiani violated NASD Conduct Rule 2110 and IM-2310-2.

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; and
- 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

Dated: February 3, 2011



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