

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

Department of Enforcement,

Complainant,

v.

Charles Eugene Bishop, Jr.
CRD No. 1621380,

Respondent.

Disciplinary Proceeding
No. 2009017699201

Hearing Officer: SNB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: September 10, 2012.

INTRODUCTION

Disciplinary Proceeding No. 2009017699201 was filed on December 5, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Charles Eugene Bishop (Bishop) submitted an Offer of Settlement (Offer) to Complainant dated September 4, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Bishop, born in [REDACTED] entered the securities industry in 1989 and, prior to his joining Merrill Lynch in August 2008, was employed at over a dozen FINRA-regulated and non-regulated firms.

On April 1, 2009, Merrill Lynch filed a Uniform Termination Notice of Securities Industry Registration ("Form U5"), reporting that effective that day, the Firm had terminated Bishop's employment for "...violating the Firm's policies regarding financial arrangements with clients by inheriting assets from the accounts of a deceased client who was not a family member and for failing to disclose an outside business interest."

In October 2009, the Firm filed an arbitration claim against Bishop to recover the balance due on a promissory note that Bishop failed to repay. In January 2011, Bishop was found liable for breach of contract/promissory note, and liable to refund Merrill Lynch approximately \$993,000 of his sign-on bonus plus interest and attorney's fees. Additionally, the Panel recommended that Bishop's Form U5 should have the word "inheriting" deleted and replaced with "attempting to inherit." The Form U5 has not yet been amended to reflect the recommended change.

Bishop has not been employed by a FINRA-regulated firm since Merrill Lynch terminated his employment. He is currently employed as a Registered Investment Advisor at a non-FINRA regulated entity.

Although Bishop 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 the Complaint was filed within two years after Merrill Lynch filed an Amended Form U5 on December 22, 2010, reporting a complaint from another Firm customer, who alleged that Bishop engaged in certain misconduct while he was registered with the Firm. FINRA has jurisdiction over Bishop until at least December 21, 2012.

Bishop has not been subject to any disciplinary action in the past five years.

FINDINGS AND CONCLUSIONS

During the period from January to June 2009, Bishop attempted to misappropriate approximately \$3 million from an elderly customer of his employer, Merrill Lynch, in violation of FINRA Rule 2010. Bishop created paperwork by which the deceased customer's assets would be transferred to a purported entity with a tax identification number assigned to him by the IRS as sole member.

In 1998, Bishop, prior to his joining Merrill Lynch, began servicing the accounts of SL and EL. EL was born in [REDACTED] SL was born in [REDACTED]

In September 2006, EL formed a Florida corporation known as Dancing Bear Kennel, Inc. ("DBK"). EL was the registered agent and sole Director of DBK. DBK had an Employer Identification Number ("EIN") (also known as a Federal Tax Identification Number), which is used to identify a business entity. The EIN for DBK was [REDACTED] This was the number DBK had been assigned when it was formed in 2006

SL and EL transferred their accounts worth approximately \$2 million to Merrill Lynch when Bishop commenced his employment at Merrill Lynch in 2008.

On January 5, 2009, SL died, leaving the entirety of his estate to his wife EL. EL added a death benefit from an annuity to the Merrill Lynch accounts, thus the combined value of the accounts totaled approximately \$3.2 million.

EL signed a Merrill Lynch Client Relationship Agreement, dated February 9, 2009, ("CRA") which named DBK as the beneficiary of EL's brokerage account. The CRA lists the EIN for DBK as "applied for"; notably, DBK, which had been formed in 2006, already had an EIN [REDACTED]

EL also signed a TOD, dated February 9, 2009, which named Dancing Bear Kennel 1 ("DBK1") as the beneficiary of the assets in EL's brokerage account. The TOD reflected that EL was the 100% owner of DBK1 and provided that EL's brokerage account assets were to be transferred to DBK1 immediately upon her death. The TOD listed the address of DBK1 as EL's home address. DBK1 was an entity that was never created. The EIN [REDACTED] listed on the TOD as the EIN number for DBK1 was actually the EIN number of a different entity, Dancing Bear Kennel I ("DBKI"), which also was never created.

Correspondence from the IRS, dated February 26, 2009, confirmed that the IRS had issued EIN [REDACTED] for DBKI. The IRS letter was sent to Bishop's attention at his home address and Bishop was listed on the IRS correspondence as "Sole Member" of DBKI.

Although EL's signature on the TOD is notarized, EL was not present before the notary when the signature was notarized.

On February 11, 2009, Bishop received approval from the Florida Department of State to form Dancing Bear Dog Kennel LLC ("DBDK"). Bishop is listed in the Florida State records as

the sole managing member of DBDK and his home address is listed as the mailing address and principal place of business for DBDK.

On or about February 19, 2009, the CRA was altered. The "applied for" was removed and replaced with the newly obtained EIN for DBKI [REDACTED]. The beneficiary was still listed as DBK despite the fact that the newly inserted EIN belonged to DBKI, of which, according to the IRS Letter, Bishop was the "Sole Member." The signature date of the CRA was not altered or changed, and the change of the EIN number was not initialed by EL.

EL died on February 22, 2009.

On or about February 26, 2009, a Probate Division of the Florida Circuit Court for Broward County froze EL's assets pending the filing of her estate and the appointment of a personal representative.

A facsimile of this Order was sent to Bishop on March 2, 2009.

On March 16, 2009, the Probate Court received a "Notice of Interested Person and Request for Notice and Copies," dated March 13, 2009 and filed on behalf of Bishop by his attorney RM. The notice represented that Bishop "has an interest in the above Estate as a claimant and beneficiary of the decedent's Estate."

On March 16, 2009, the Probate Court ordered that all "paid on death" titled accounts with a beneficiary designation be frozen and that Merrill Lynch freeze all "paid on death" titled accounts with the beneficiary designation Dancing Bear Dog Kennel, LLC. On that same day, the Court issued another Order permitting LB, the curator of EL's estate, to deposit into a designated account any of EL's assets that were not titled "paid on death"; no withdrawals from the designated account could be made without court order.

On May 18, 2009, LB petitioned the Probate Court requesting an order “invalidating the beneficiary designations” for DBK and DBKI that were on file at Merrill Lynch for EL’s brokerage securities account, and requesting that the assets in EL’s accounts be transferred to LB as curator for EL’s estate. LB also, on the same day sent a letter to Bishop seeking his consent to the transfer of assets.

On May 29, 2009, after Merrill Lynch had terminated Bishop’s employment, he consented to the transfer requested by LB and waived “any right, title, interest” to EL’s Merrill Lynch brokerage accounts.

On June 9, 2009, the Probate Court, issued an order “invalidating the beneficiary designations” that were on file at Merrill Lynch for EL’s securities accounts.

FINRA Rule 2010 requires that members observe “high standards of commercial honor and just and equitable principles of trade.” Bishop attempted to misappropriate funds in violation of FINRA Rule 2010 thereby engaging in unethical conduct by failing “to observe high standards of commercial honor and just and equitable principles of trade,” in that (i) Bishop had EL sign a Merrill Lynch TOD which designated as the sole beneficiary of EL’s securities accounts DBK1, whose name was virtually identical to a company that EL owned, but whose tax identification number listed on the TOD was that of DBKI, a purported entity associated with Bishop as sole member; and (ii) the beneficiary’s tax identification number on the Merrill Lynch CRA signed by customer EL was changed to the tax identification number for DBKI, a purported entity associated with Bishop as sole member.

By virtue of the above, Bishop wrongfully attempted to misappropriate and use for his own benefit funds from a customer of his firm employer in the amount of approximately \$3

million, thereby engaging in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.

Based on the foregoing, Bishop's conduct constitutes a violation of FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

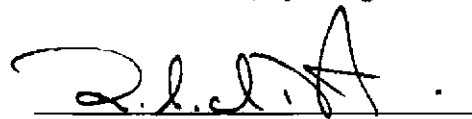
It is ordered that Respondent be fined \$7,500 and suspended from association with any FINRA member firm in all capacities for two years.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Richard Best", is written over a horizontal line.

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