

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009017755101**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)
RE: Chad R. Duncan
(CRD No. 4119031)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Chad R. Duncan ("Duncan" or "Respondent"), 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:

OVERVIEW

Between April 2008 and October 2008 (the "Relevant Period"), Duncan wrongfully converted \$100,000 from a customer in violation of NASD Conduct Rule 2110. To conceal his activities, Duncan created and sent to the executor of the customer's estate false documents in violation of NASD Conduct Rule 2110.

BACKGROUND

Duncan became registered in the securities industry in February 2001 with Merrill Lynch, Pierce, Fenner & Smith, Inc. During the Relevant Period, Duncan was employed at Bank A and held securities registrations at Invest Financial Corp. ("Invest"), a FINRA regulated broker/dealer and Bank A affiliate.

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

Customer AG

AG was born in [REDACTED] At the time of the conversion, AG maintained a bank account at RFC, a subsidiary of Bank A. She resided at an assisted living facility during the Relevant Period until she passed away in December 2008.

000071312 2010

During the Relevant Period, Duncan, without permission or authority, used \$100,000 drawn from AG's RFC account to pay Duncan's own personal credit card expenses, which were related to costs associated with the construction of a home for Duncan.

In early 2009, after AG passed away, AG's great-nephew and executor became concerned about several large withdrawals totaling \$100,000 from AG's account held at RFC and requested Duncan to provide documentation explaining them. Duncan, in an effort to conceal that he was the beneficiary of these withdrawals, created five fictitious cashier's checks totaling \$100,000 and payable to various charities, falsely representing that these cashier's checks represented evidence of the payments made by AG and the beneficiaries of those payments. Actually, the withdrawals were earlier used to purchase five Bank A cashier's checks payable to an international commercial bank, for the purpose of paying down Duncan's own credit card expenses.

NASD Rule 2110 provides that "a member, in the conduct of his business shall observe high standards of commercial honor." Based upon the foregoing, Duncan violated NASD Rule 2110 in that he wrongfully converted funds from AG totaling \$100,000. By creating and forwarding fictitious cashier's checks to AG's executor in an effort to conceal his activities, Duncan violated NASD Conduct Rule 2110.

Bank A compensated AG for the funds wrongfully taken from her account. Duncan has reimbursed Bank A approximately \$91,484.75, and Duncan continues to make monthly payments to Bank A to cover the amounts Bank A paid to AG.

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

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

A. To have a Formal Complaint issued specifying the allegations against me;

- B. To be notified of the *Formal 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 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 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.

Chad R. Duncan

10/25/2010
Date

Chad R Duncan

Accepted by FINRA:

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

11/05/10
Date

Scott M. Andersen
Scott M. Andersen, Director
Suzanne R. Elovic, Chief Counsel
FINRA Department of Enforcement
14 Wall Street
New York, New York 10005
(646) 315-7303