

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

BRUCE KATZ
(CRD No. 1234370),

Respondent.

Disciplinary Proceeding
NO. 2009018906501

Hearing Officer - RSH

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 4, 2011

INTRODUCTION

Disciplinary Proceeding No. 2009018906501 was filed on July 29, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Bruce Katz submitted an Offer of Settlement (Offer) to Complainant dated October 26, 2011. 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

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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

Respondent first became registered as a General Securities Representative (GSR) with FINRA in January 1984 through a FINRA member firm. From January 26, 2001 through February 16, 2007, he was registered with FINRA through member firm Merrill Lynch, Pierce, Fenner & Smith Inc. ("Merrill Lynch"). From February 16, 2007 through July 13, 2009, Respondent was registered as a GSR through Raymond James & Associates, Inc. Most recently, Respondent was registered as a GSR, from July 16, 2009 through August 31, 2011, through another FINRA member firm. The firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5) of behalf of Respondent on August 31, 2011. Since then, Respondent has not been associated with any member firm, but he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws. The Complaint was filed on July 29, 2011.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. In July 2004, while registered with a FINRA member firm, Katz borrowed \$82,000 from customer VH without obtaining the member firm's prior written approval. By reason of the foregoing, Katz violated NASD Conduct Rules 2370 and 2110.

CAUSE OF ACTION

IMPERMISSIBLE BORROWING FROM A CUSTOMER (NASD CONDUCT RULES 2370 AND 2110)

2. On or about July 9, 2004, while associated with Merrill Lynch in a registered capacity, Katz borrowed \$50,000 from VH, a customer of Merrill Lynch for whom Katz was the assigned registered representative. On or about July 28, 2004, Katz borrowed an additional \$32,000 from VH. Through two wires from her account at Merrill Lynch, VH transferred the funds to her JP Morgan Chase bank account. Both loans were made payable to Katz via check from VH's JP Morgan Chase bank account.
3. Katz used the loans from VH towards his purchase of a house.
4. Katz told VH that he would pay interest on the loans at a rate of \$3,000 annually. In a series of handwritten notes sent to VH in 2008, Katz assured VH that he would pay back her money. Katz has not repaid the principal or any interest on the loans from VH.
5. In July 2004, VH was 75 years old and retired.
6. At the time Katz borrowed the money, Merrill Lynch's written supervisory procedures did not allow the borrowing and lending of money between registered persons and customers of the firm unless the customer was a relative of the registered person. Katz did not request or obtain permission from Merrill Lynch to borrow money from VH and he was not related to VH.

7. Katz was aware of Merrill Lynch's procedures and certified in November 2004 that he had received and read Merrill Lynch's written policies and procedures regarding financial arrangements with clients.
8. Katz did not disclose to Merrill Lynch that he had obtained loans from VH.
9. NASD Conduct Rule 2370 prohibits an associated person from borrowing money from a customer unless the member firm has written procedures authorizing such arrangements and the loan meets one of the conditions under Rule 2370(a)(2)(A) – (E). Since Merrill Lynch's procedures did not permit borrowing, Katz could not borrow money from VH in compliance with NASD Conduct Rule 2370. Further, the loans were not in conformance with conditions set forth in Rule 2370(a)(2)(A)-(E) for permissible loans.

Based on the foregoing, Respondent Katz violated NASD Conduct Rules 2370 and 2110.

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

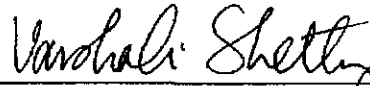
It is ordered that Respondent be suspended eighteen (18) months from association with any member of FINRA in any and all capacities. Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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, reading "Vaishali Shetty". The signature is fluid and cursive, with the first name "Vaishali" and last name "Shetty" clearly distinguishable.

Vaishali Shetty, Senior Regional Counsel
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