

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

Department of Enforcement,

Complainant,

v.

David Salko (CRD No. 1950413)

Respondent.

Disciplinary Proceeding
No. 2009019335901

Hearing Officer MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 12, 2013

INTRODUCTION

Disciplinary Proceeding No. 2009019335901 was filed on August 15, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David Salko submitted an Offer of Settlement (Offer) to Complainant dated May 23, 2013. 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, Salko 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

Salko became registered as an Investment Company Products/Variable Contracts Limited Representative in 1989, and holds Series 6, 7, 24, 63 and 65 licenses. Prior to joining Lincoln as an Independent Contractor, General Securities Representative, Investment Company Products/Variable Contracts Limited Representative and General Securities Principal in November 2005, Salko was associated with five other FINRA member firms. Salko's registration with Lincoln was terminated on September 30, 2009, after the Firm conducted its 2009 audit. On or about October 6, 2009, the Firm submitted a Form U-5 for Salko that stated that Salko "fail[ed] to disclose ownership of, involvement with, or compensation from various entities.

Since October 20, 2009, Salko has been registered as a General Securities Representative, Investment Company Products/Variable Contracts Limited Representative and General Securities Principal at RNR Securities, L.L.C., a FINRA-regulated firm. FINRA therefore has jurisdiction over Salko pursuant to Article V, Section 2 of FINRA's By-Laws.

FINDINGS AND CONCLUSIONS

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

KNOWINGLY MAKING FALSE STATEMENTS IN AN AFFIDAVIT

While associated with Lincoln, Salko conducted life insurance business using a Firm-approved marketing name, AF Brokerage Corp. During January 2009, JN, a business associate of Salko's, sold a \$5,000,000 fixed life insurance policy to SF, who was not a customer of the Firm. SF's trust account owned the policy. AF Brokerage Corp. was the general agent for the SF policy. Both Salko and JN received certain commissions related to the sale of the SF policy as long as the policy did not lapse.

Shortly after SF purchased the policy, SF began experiencing trouble paying for the policy's premiums, which were due on a quarterly basis. In April 2009, JN alerted Salko that SF needed financial assistance to prevent the policy from lapsing. In order to protect his and JN's financial interest in the policy, Salko agreed to temporarily provide SF with financial assistance.

On April 7, 2009, Salko wired \$50,000 from AF Brokerage Corp.'s bank account to SF's trust account for the second quarter premium.

During May 2009, JN discussed a possible premium financing arrangement for SF's policy with Company A, which locates lenders that provide premium financing.

Company A communicated with a lender that expressed interest in providing financing for the policy. The lender conducted a due diligence review of the policy and requested an explanation of AF Brokerage Corp's. payment of \$50,000 to SF's trust account. JN informed Salko about this inquiry.

On July 8, 2009, in connection with this inquiry, Salko submitted an affidavit that contained false statements. The affidavit stated, in relevant part:

I affirm that [SF] is a part owner of AF Brokerage Corp.

On April 7, 2009, AF Brokerage Corp made a payment in the amount of fifty thousand dollars (\$50,000) to [JH] Life Insurance Company for Policy Number [XXX] on behalf of the [SF] Trust ("Trust").

This payment was not a loan to the trust, nor does it in any way constitute a financing arrangement. There is no obligation on the part of the Irrevocable Trust to repay the funds to AF Brokerage Corp.

Contrary to Salko's statements in the affidavit, SF was not a part owner in AF Brokerage Corp. Salko knew that the affidavit contained false statements at the time he executed the document. By virtue of these actions, Salko failed to observe high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

FAILURE TO SUPERVISE

Lincoln's procedures, among other things, prohibited Registered Representatives "from being employed by or accepting compensation from any other person as a result of any business activity outside the scope of their relationship with [the Firm], unless the registered Representative has provided prompt written notice to [Firm] Compliance..." and required Registered Representatives to "disclose any outside business activity in which they are engaged, regardless of compensation..." Once approved by the Firm, Registered Representatives were permitted to "engage in certain outside business activities of a personal nature ..."

Starting in or about October 2005, NE became a member of and invested in a fast-food restaurant franchise. Until the business ceased operations in early 2009, NE actively participated in the operation of the business. However, NE did not provide prompt written notice of his participation to the Firm. NE's participation in the business constituted an unapproved outside

business activity.

From at least as early as March 2007 until August 7, 2009, Salko served as NE's supervisor. During this period, while he was NE's supervisor, Salko was aware that NE was participating in the fast-food restaurant franchise. Salko did not take any steps to ensure that the Firm obtained written notice of NE's participation in this outside activity. Accordingly, Salko violated NASD Rules 3010 and 2110, and 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 hereby ordered that Respondent be suspended for 23 months and fined \$10,000. The fine shall be due and payable upon the earlier of Respondent's reassociation with a member firm following his suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding.

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 cursive script, reading "Susan Light", is written over a horizontal line.

Susan Light
Senior Vice President and Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
Tel. No.: 646-315-7333
Fax No.: 202-689-3411