

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20090210296**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Daniel Walsh, Respondent  
Former General Securities Representative

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Daniel Walsh ("Walsh"), 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:

**BACKGROUND**

Respondent Walsh entered the securities industry in May 2007 as an associated person with FINRA member Lincoln Financial Distributors, Inc. ("Lincoln" or the "Firm"). Walsh received his Series 6 license in June 2007 and his Series 63 license in August 2007. During all periods mentioned herein, Walsh was registered with FINRA under Article V of the FINRA By-Laws with FINRA member Lincoln, working in Connecticut. On November 5, 2009, Lincoln filed a Uniform Termination Notice for Securities Industry Registration on behalf of Walsh, reporting that Walsh resigned from the Firm on October 29, 2009, after being asked to meet with the Firm to discuss the Firm's internal investigation concerning potential inappropriate activities with respect to state-required long-term care on-line continuing education ("CE") exams. Walsh declined to be interviewed by the Firm.

Walsh is not currently associated with a FINRA member, but he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

## **FACTS AND VIOLATIVE CONDUCT**

### **1. Background**

Walsh was an external wholesaler for Lincoln who marketed an insurance product called MoneyGuard to financial advisors located in Connecticut. MoneyGuard was a universal life insurance policy with long-term care benefits. Walsh did not sell the product directly to retail investors. Walsh worked with an internal wholesaler in the Lincoln MoneyGuard business unit who supported his marketing efforts.

Starting in or around January 2008, the state of Florida began requiring financial advisors to successfully complete a long-term care CE examination before selling long-term care insurance products to retail customers residing in Florida. Walsh marketed MoneyGuard to financial advisors in Connecticut who had clients located in Florida.

Lincoln authorized its wholesalers to give financial advisors vouchers from a company called SCE, which could be used to take CE exams through SCE without charge. Financial advisors could log on to the SCE website using the code on the voucher and take CE courses and exams. SCE had a course that satisfied Florida's long-term care CE requirement. To get CE credit for this course, a test taker had to successfully complete an examination, which could be taken online or by submitting to SCE a paper test. SCE's long-term care CE examination for Florida was "open book" and, if taken online, did not have to be monitored by a third-party. Test takers who failed to pass the exam were allowed to immediately retake the test.

At least two Lincoln employees created answer keys for SCE's long-term care CE examination for Florida and distributed it to other Lincoln employees. These answer keys were circulated throughout the Lincoln business unit that sold MoneyGuard. One of the answer keys was forwarded to Walsh's internal wholesaler from another Lincoln internal wholesaler on February 7, 2008.

### **2. Walsh Took the Florida Long-Term Care CE Examination for Two Financial Advisors**

In or around the middle of 2008, Walsh took the Florida online long-term care CE examination for two financial advisors working for another FINRA member firm. Walsh was working with two Connecticut-based financial advisors who wanted to sell MoneyGuard to a retail client located in Florida but needed to complete the Florida long-term care CE examination in order to do so. Walsh told these financial advisors that he would take the CE examination for them.

Walsh satisfied the long-term care CE requirement for these financial advisors by taking and passing the SCE online Florida long-term care CE examination. Walsh took the exams for them in his office, which was located at his home in Niantic, Connecticut. These financial advisors provided Walsh with their driver's license and social security numbers over the phone and he used this information to log onto the SCE website and take the long-term care CE examination for them. Walsh did not report this conduct to the Firm.

By taking the Florida long-term care CE examination for these financial advisors, Walsh violated NASD Rule 2110.

3. Walsh Assisted Two Other Financial Advisors in Taking the Florida Long-Term Care CE Examination

In late 2008, Walsh also assisted two financial advisors from another FINRA member firm while they were taking SCE's online Florida long-term care CE examination. Walsh sat with these financial advisors in their offices while they were taking the long-term care CE examination and provided assistance in completing the examination. For example, Walsh advised them that they might want to look at a particular question again, pointed out wrong answers, and referred them to the relevant portion of the study materials. Walsh did not report this conduct to the Firm.

By assisting these financial advisors complete the Florida long-term CE examination, Walsh violated NASD Rule 2110.

4. Possession and Distribution of Answer Keys to the Florida Long-Term Care CE Examination

In early 2008, Walsh requested from his internal wholesaler a copy of one of the answer keys for SCE's long-term care CE examination for Florida. Walsh's internal wholesaler sent Walsh the answer key via email on February 7, 2008, April 27, 2009, and March 30, 2009. By asking for and receiving the answer key to the Florida long-term care CE examination, Walsh violated NASD Rule 2110 and FINRA Rule 2010.

On February 7, 2008, shortly after receiving the answer key, Walsh sent it via email to a financial advisor who worked for another FINRA member firm. In the email, he wrote "See below, Call me." On April 27, 2009, Walsh sent the answer key via email to a different financial advisor who worked for another FINRA member firm. By sending the answer key to the financial advisors, Walsh violated NASD Rule 2110 and FINRA Rule 2010.

Walsh also was aware of and permitted the distribution of the answer key to two of his other clients. Walsh and his internal wholesaler had discussed helping two financial advisors from another FINRA member firm complete their Florida long-term care CE requirement. On February 25, 2008, Walsh's internal wholesaler forwarded to Walsh an email he had sent to the first financial advisor, which attached the Florida answer key. The message said "the attached spreadsheet should help you complete your CE requirement in minutes." In the email to Walsh, Walsh's internal wholesaler told Walsh that he had sent the "same thing" to the second financial advisor.

Walsh's internal wholesaler also forwarded to Walsh an email chain that included (1) a February 25, 2008 email from the internal wholesaler to the second financial advisor, which attached the Florida answer key and said "the attached spreadsheet should help you complete your CE requirement in minutes;" and (2) a February 25, 2008 email from that second financial advisor to Walsh's internal wholesaler in which the advisor stated that "I am having [the first financial advisor] take this as I don't have my production # yet. Since

she's my partner and branch manager." Walsh did not report this conduct to the Firm.

By permitting the distribution of the answer key by his internal wholesaler to two other financial advisors, Walsh violated NASD Rule 2110.

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

A censure, a 90-day suspension from association with any FINRA member in any capacity and a \$5,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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 National Adjudicatory Council ("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.

2/8/2010  
Date

D. Walsh  
Daniel Walsh, Respondent

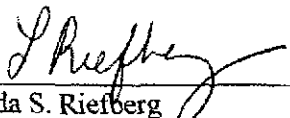
Reviewed by:

Peter R. Knight 2/8/10  
Peter R. Knight, Counsel for Respondent

Accepted by FINRA:

3/9/10  
Date

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

  
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Linda S. Riefberg  
Chief Counsel  
FINRA Department of Enforcement  
14 Wall Street, 14<sup>th</sup> Floor  
New York, New York 10005  
Tel: 646-315-7395  
Fax: 646-315-7441