

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010021962101**

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

RE: John Thomas Pappas, Respondent
Former Registered Representative
CRD No. 4240283

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

John Thomas Pappas worked in the securities industry from July 24, 2000 to February 4, 2010. From June 13, 2003 until February 4, 2010, Pappas was employed as a registered representative with Merrill Lynch, Pierce, Fenner & Smith Incorporated. On February 4, 2010, Pappas was terminated by Merrill Lynch, Pierce, Fenner & Smith for misappropriating client funds.

OVERVIEW

Between November 2007 and January 2010, Pappas converted \$157,563.80 in customer funds in violation of NASD Rule 2330(a), FINRA Rule 2150(a), NASD Rule 2110, and FINRA Rule 2010, and attempted to convert an additional \$14,260 in customer funds in violation of FINRA Rule 2010. Pappas misappropriated the funds by activating the online bill payment

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feature in the customers' accounts and directing payments to his personal credit cards.

Pappas also executed an unauthorized trade in a deceased customer's account in violation of FINRA Rule 2010 and NASD Rule IM-2310-2.

In addition, Pappas refused to provide information and testimony in response to requests by FINRA staff, in violation of FINRA Rule 8210.

FACTS AND VIOLATIVE CONDUCT

(1) Pappas Violated NASD Rule 2330(a), FINRA Rule 2150(a), NASD Rule 2110, and FINRA Rule 2010¹ By Converting and Attempting to Convert Customer Funds

Between September 2007 and January 2010, Pappas converted funds from three customer accounts and attempted to convert funds from one other customer account. In each instance, Pappas activated the online bill payment feature in the client's account and then directed payments to his personal credit cards.

Pappas had power of attorney over the account of customer A. During 2009 and 2010, Pappas used the online bill payment feature to direct a series of payments totaling \$61,161.23 from the account of Customer A to his personal credit cards. Pappas made these payments without Customer A's knowledge or authorization. Pappas's conversion of Customer A's funds violated NASD Rule 2330(a), FINRA Rule 2150(a), and FINRA Rule 2010.

Between September 2007 and July 31, 2009 Pappas used the online bill payment feature to direct approximately 40 payments totaling \$69,120.52 from the account of Customer B to his personal credit cards. Pappas made these payments without Customer B's knowledge or authorization. Pappas's conversion of Customer B's funds violated NASD Rule 2330(a), NASD Rule 2110, and FINRA Rule 2010.

On January 7, 2010 and January 20, 2010, Pappas used the online bill payment feature to direct two payments totaling \$27,282 from the account of Customer C to his personal credit cards. Pappas made these payments without Customer C's knowledge or authorization. Pappas's conversion of Customer C's funds violated FINRA Rule 2150(a) and FINRA Rule 2010.

On January 13, 2010, Pappas accessed the online bill payment system for the account of Customer D and attempted to direct two payments totaling \$14,260 to his personal credit cards. However, the payments were stopped by Merrill Lynch before they could be made. Pappas attempted to make these payments without Customer D's knowledge or authorization. Pappas's

¹ Effective December 14, 2009, NASD Rule 2330(a) became FINRA Rule 2150(a). Effective December 15, 2008, NASD Rule 2110 became FINRA Rule 2010.

attempted conversion of funds from customer D violated FINRA Rule 2010.

(2) Pappas Violated FINRA Rules 2010 and NASD Rule IM-2310-2 By Executing an Unauthorized Trade

On January 27, 2010, Pappas placed a trade totaling \$6,893.43 in the account of a deceased Merrill Lynch customer. This trade was not authorized by any representative of the customer, and Pappas was not granted discretion to trade in the account. By engaging in an unauthorized trade, Pappas violated FINRA Rule 2010 and NASD Rule IM-2310-2.

(3) Pappas Violated FINRA Rule 8210 and FINRA Rule 2010 by Refusing to Provide Documents and Testimony in Response to Requests by FINRA Staff

On March 19, 2010, FINRA sent Pappas a certified letter pursuant to FINRA Rule 8210 requesting information regarding the allegations surrounding Pappas's termination from Merrill Lynch. Pappas did not provide the requested information. On April 16, 2010, Pappas sent a letter to FINRA stating that he was declining to provide the requested information.

On January 12, 2011, FINRA sent Pappas a certified letter pursuant to FINRA Rule 8210 requesting that Pappas appear for testimony on January 28, 2011. On January 20, 2011, Pappas's counsel sent an email to FINRA stating that Pappas would not appear for testimony. Pappas did not appear for testimony on January 28, 2011.

The aforementioned acts, practices and conduct each constitute separate violations of FINRA Rule 8210 and FINRA Rule 2010 by Pappas.

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

A permanent bar from associating with any FINRA member firm in any capacity.

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 Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. 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. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the 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

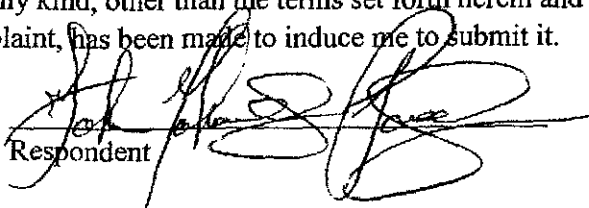
any of the allegations against me; and

C. If accepted:

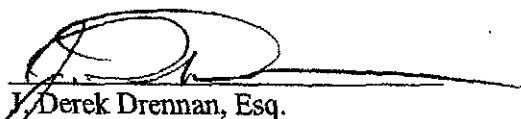
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. 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.

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.

07/07/2011
Date (mm/dd/yyyy)


Respondent

Reviewed by:

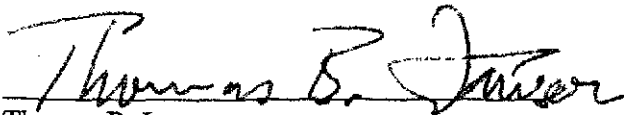


Derek Drennan, Esq.
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The Alexander House
2320 Arlington Avenue South
Birmingham, AL 35205

Accepted by FINRA:

July 26, 2011
Date

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



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