

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

ANTHONY L. SEMADENI  
(CRD No. 2601121),

Respondent.

Disciplinary Proceeding  
No. 2010021983501

Hearing Officer – RSH

**DEFAULT DECISION**

February 21, 2012

**Respondent is barred from associating with any FINRA-registered firm in any capacity for failing to comply with FINRA requests for information, in violation of FINRA Rules 8210 and 2010. In light of the bar, sanctions are not imposed for: (1) borrowing from customers, in violation of NASD Rules 2370 and 2110 and FINRA Rule 2010 or (2) making misrepresentations to his member firm, in violation of NASD Rule 2110 and FINRA Rule 2010. In addition, Respondent is ordered to pay restitution to three customers.**

**Appearances**

Helen G. Barnhill and Jacqueline D. Whelan, for the Department of Enforcement.

No appearance by or on behalf of Anthony L. Semadeni.

**DECISION**

**I. Introduction**

The FINRA Department of Enforcement (“Enforcement”) filed the attached Complaint with the Office of Hearing Officers on October 7, 2011. The Complaint alleged that Anthony L. Semadeni (“Respondent”): (1) borrowed \$85,000 from four of his customers, in violation of NASD Rules 2370 and 2110 and FINRA Rule 2010; (2) made misrepresentations to his member

firm, in violation of NASD Rule 2110 and FINRA Rule 2010; and (3) failed to comply with FINRA requests for information, in violation of FINRA Rules 8210 and 2010.<sup>1</sup>

Respondent did not answer or otherwise respond to the Complaint. Accordingly, on December 21, 2011, Enforcement filed a Motion for Entry of Default Decision and Request for Sanctions (“Default Motion”) with the Office of Hearing Officers, together with the declaration of Helen G. Barnhill (“Decl.”) and four exhibits.<sup>2</sup> For the reasons set forth below, the Hearing Officer found Respondent in default and granted Enforcement’s Default Motion.

## **II. Procedural History**

On October 4, 2011, Enforcement served the Complaint and the First Notice of Complaint on Respondent by mailing them to his most recent address recorded in the Central Registration Depository (“CRD”) by first-class certified mail, return receipt requested, and first-class mail. Respondent signed for the certified mailing on October 5, 2011. The first-class mailing was not returned to Enforcement. Respondent did not answer or otherwise respond to the Complaint.<sup>3</sup>

On November 4, 2011, Enforcement served a Second Notice of Complaint and a copy of the Complaint on Respondent by mailing it to his CRD address by first-class certified mail, return receipt requested, and first-class mail. Enforcement received the signed certified mailing receipt on December 15, 2011. The first-class mailing was returned to Enforcement marked,

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<sup>1</sup> The FINRA Rules, which include NASD Procedural and Conduct Rules, are available at [www.finra.org/Rules](http://www.finra.org/Rules). On December 15, 2008, the first phase of new consolidated FINRA Rules went into effect. *See*, Regulatory Notice 08-57. In the rule consolidation, NASD Rule 2110 was renumbered to FINRA Rule 2010. The findings in this Default Decision refer to the rules that were in effect at the time of the violations.

<sup>2</sup> Enforcement’s exhibits are labeled CX-1 through CX-4.

<sup>3</sup> Decl. ¶12; CX-3.

“NLE, return to sender.” Respondent did not respond to the Complaint sent with the Second Notice.<sup>4</sup>

To date, Respondent has not answered or otherwise responded to the Complaint. Accordingly, the Hearing Officer held the Respondent in default and deemed the allegations in the attached Complaint admitted pursuant to Rules 9215(f) and 9269(a).

### **III. Findings of Fact and Conclusions of Law**

#### **A. Background**

Respondent first became registered with a FINRA-regulated firm as an Investment Company & Variable Contracts Products Representative (“IR”) in May 1995, and as an Investment Company & Variable Contracts Products Principal (“IP”) in May 2000. Respondent was registered with FINRA as an IR and IP through World Group Securities (“WGS”) from April 12, 2002, until March 19, 2010, when WGS filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) for Respondent. He has not been associated with another FINRA-regulated firm since then.<sup>5</sup>

The investigation that led to the filing of the Complaint originated with a customer complaint against Respondent that customer VR filed with FINRA.<sup>6</sup>

#### **B. Jurisdiction**

FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after FINRA terminated Respondent’s registration, and (2) the Complaint charges him with misconduct that occurred while he was associated with a FINRA-registered firm, and with failing to respond

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<sup>4</sup> Decl. ¶ 13; CX-4.

<sup>5</sup> Decl. ¶ 5; CX-1.

<sup>6</sup> Decl. ¶ 6.

timely to Enforcement's requests for information made during the two-year period following the termination of his FINRA registration.<sup>7</sup>

### **C. Borrowing from Customers**

The First Cause of Action alleges that Respondent borrowed \$85,000 from four customers, in violation of NASD Rules 2370 and 2110 and FINRA Rule 2010.

#### **1. Customer VR- \$10,000**

On or about September 26, 2007, Respondent borrowed \$10,000 from customer VR. Respondent borrowed the money so that he could landscape his yard, and thereby avoid penalties to be imposed by his homeowners association. To document the loan, VR and Respondent executed a promissory note, according to which Respondent promised to repay the \$10,000 in monthly installments of \$1,000 plus interest of \$250 per month until paid. Respondent was to have made the final payment no later than July 15, 2008, but by March 2009, he still owed VR \$3,050. Upon discovering the loan, WGS repaid VR the remaining \$3,050 that Respondent owed to her.

#### **2. Customer JW-\$20,000**

On or about March 3, 2009, Respondent recommended that customer JW liquidate a variable annuity and lend him \$20,000. Respondent did not tell JW that she would incur an early withdrawal penalty of \$2,125 when she liquidated her variable annuity. JW liquidated her annuity and loaned \$20,000 to Respondent. Respondent signed a promissory note under which he agreed to repay the money by making twelve monthly interest payments of \$1,000 beginning on April 28, 2009, and one balloon payment of \$20,000 on May 28, 2010. To date, Respondent has only repaid \$4,000 to JW.

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<sup>7</sup> See Article V, Sec. 4(a), FINRA By-Laws, available at [www.finra.org/Rules](http://www.finra.org/Rules) (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

### **3. Customer RC-\$25,000**

In April 2009, Respondent approached customer RC about liquidating a variable annuity she had purchased through him so that she could lend the proceeds to him. RC declined to liquidate her annuity; however, she and a friend (JK, a non-customer) loaned Respondent \$25,000 that they had in savings. On April 28, 2009, Respondent signed a promissory note under which he agreed to repay RC and JK in twelve monthly payments of \$1,000 beginning on June 28, 2009, and one balloon payment of \$25,000 due on July 25, 2010. Respondent has only repaid \$9,000 of the money he owes RC and JK.

### **4. Customer DW-\$30,000**

Respondent signed a promissory note with DW dated December 19, 2008. According to the promissory note, DW lent Respondent \$30,000 at 7.5% interest. Respondent agreed to repay the loan by monthly installments of \$1,000 beginning February 28, 2009, for 12 months. The remaining balance of the loan was to be paid in one balloon payment on March 28, 2010. Respondent's failure to provide information in response to Rule 8210 requests prevented FINRA from determining whether he has repaid any portion of the loan to DW.

When Respondent received the loans from his customers, WGS's written procedures prohibited employees from accepting loans from firm customers, except under certain conditions, which Respondent did not meet.

During the relevant period, Conduct Rule 2370 provided, in pertinent part

(a) No person associated with a member in any registered capacity may borrow money from or lend money to any customer of such person unless: (1) the member has written procedures allowing borrowing and lending of money between such registered persons and customers of the member....<sup>8</sup>

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<sup>8</sup> Rule 2370 contains other conditions under which borrowing from customers is permissible; however, they are not relevant here because Respondent did not meet any of the conditions contained in WGS's written procedures.

The Hearing Officer finds that the allegations in the Complaint are sufficient to establish that Respondent violated NASD Rule 2370. It is well-established that any conduct that violates an NASD Conduct Rule is a violation of Conduct Rule 2110 (now Rule 2010).<sup>9</sup> Respondent violated Rule 2110 with respect to customer VR, and Rule 2010 with respect to customers JW, RC, and DW.

**D. Misrepresentations to Firm**

The Second Cause of Action alleges that Respondent violated Rules 2110 and 2010 by making misrepresentations to WGS in annual compliance certifications. Between December 30, 2007 (when he had already borrowed money from VR) and December 30, 2009 (by which time he had borrowed money from four customers), Respondent certified to WGS on compliance questionnaires that he had not borrowed money from customers.

Rule 2110 and its successor, Rule 2010, provide that registered persons “shall observe high standards of commercial honor and just and equitable principles of trade.” The Hearing Officer finds that the facts alleged in the Second Cause of Action are sufficient to establish that, by making misrepresentations to his firm, Respondent violated Rules 2110 and 2010.

**E. Failure to Respond to Requests for Information**

The Third Cause of Action alleges that Respondent failed to respond in any manner to requests for information that FINRA staff issued in connection with the staff’s investigation into Respondent’s loans from customers while he was associated with WGS. The requests were issued pursuant to Rule 8210, which requires member firms and persons subject to FINRA’s jurisdiction to provide information requested by FINRA.

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<sup>9</sup> *Stephen J. Gluckman*, Exchange Act Rel. No. 41628, 1999 SEC LEXIS 1395, at \*22 (July 20, 1999) (citations omitted).

FINRA staff sent two requests for information to Respondent at his CRD address by certified and first-class mail. The first request was dated August 19, 2010 and required Respondent to respond by September 2, 2010. The certified mailing was returned marked “vacant,” but the first-class mailing was not returned. The second request was dated October 12, 2010, and required Respondent to respond by October 26, 2010. The certified mailing was returned marked “return to sender, unclaimed, unable to forward.” The first-class mailing was not returned. Respondent did not respond in any manner to either of the requests for information.

The Hearing Officer finds that the foregoing facts establish that Respondent violated Rule 8210 by failing to respond in any manner to FINRA’s requests for information. A violation of Rule 8210 is also a violation of Rule 2010.<sup>10</sup>

#### **IV. Sanctions**

##### **A. Borrowing from Customers**

The FINRA Sanction Guidelines (“Sanction Guidelines”) do not provide specific sanctions for violations of Rule 2370. According to the General Principles Applicable to All Sanction Determinations (“General Principles”), adjudicators should impose sanctions that are designed to deter future misconduct and improve overall business standards.<sup>11</sup> Adjudicators are also directed to consider whether the respondent attempted to conceal his misconduct, and whether he accepted responsibility for and acknowledged his misconduct to his employer or a regulator prior to detection and intervention by the employer or regulator.<sup>12</sup> In addition, the

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<sup>10</sup> *Department of Enforcement v. Hooper*, No. C02000037, 2001 NASD Discip. LEXIS 37, at \*5 (N.A.C. Nov. 2, 2001).

<sup>11</sup> FINRA Sanction Guidelines 2 (2011), [www.finra.org/sanctionguidelines](http://www.finra.org/sanctionguidelines).

<sup>12</sup> Sanction Guidelines 6.

Sanction Guidelines direct adjudicators to award restitution where a victim has sustained a quantifiable loss proximately caused by a respondent's misconduct.<sup>13</sup>

An NASD Notice to Members provides guidance on Rule 2370's importance: "Loans between registered persons and their customers are of legitimate interest to NASD and member firms because of the potential for misconduct. NASD has brought disciplinary action against registered persons who have violated just and equitable principles of trade by taking unfair advantage of their customers by inducing them to lend money in disregard of the customers' best interests, or by borrowing funds from, but not repaying, customers."<sup>14</sup>

Respondent's violation of Rule 2370 was aggravated because he failed to fully repay the loans, and he failed to disclose the loans numerous times on annual compliance questionnaires. In addition, he violated his firm's express prohibition on borrowing from customers; he suggested that two customers liquidate their annuities in order to lend money to him; his customers were harmed by his conduct; he lied to his firm about his conduct; and he profited by his conduct.

In light of the aggravated nature of Respondent's misconduct and the lack of any mitigating factors, the Hearing Officer finds that Respondent should be suspended from associating with any FINRA-regulated firm in any capacity for two years. In addition, the Hearing Officer finds that Respondent should be ordered to pay restitution to JW in the amount of \$16,000 plus interest at the statutory rate from May 28, 2010, until paid, and to RC in the amount of \$16,000 plus interest at the statutory rate from July 25, 2010, until paid.<sup>15</sup> Because Respondent failed to respond to Enforcement's Rule 8210 requests, it was unable to determine

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<sup>13</sup> *Id.* at 4.

<sup>14</sup> NASD Notice to Members 03-62 (Oct. 2003).

<sup>15</sup> Dates are from the due dates of balloon payments contained in the respective promissory notes.

whether Respondent had repaid any of the loan from DW. Respondent should not profit from his failure to respond to Rule 8210. Therefore, he is also ordered to pay restitution to DW in the amount of \$30,000, plus interest on the unpaid principal balance at the rate of 7.5% per year from March 28, 2010, until paid,<sup>16</sup> less: (1) any payments of interest or principal DW received from Respondent; and (2) any restitution DW recovered through arbitration or any other avenue.<sup>17</sup>

#### **B. Misrepresentations to Firm**

While the Sanction Guidelines do not contain a guideline for misrepresentations to a member firm, the guideline for falsification of records is analogous because Respondent made his misrepresentations by including false information in firm records, *i.e.*, his annual compliance questionnaires. For falsification of records, the Sanction Guidelines recommend a fine of \$5,000 to \$100,000, and a suspension of up to two years where mitigating factors exist, or a bar in egregious cases.<sup>18</sup> This is an egregious case—Respondent falsified his compliance questionnaires repeatedly over a three-year period. The Hearing Officer finds that an appropriate sanction in this case is a two-year suspension.

#### **C. Failure to Respond to Requests for Information**

Since FINRA lacks subpoena power, it must rely upon Rule 8210 “to police the activities of its members and associated persons.”<sup>19</sup> “[A member’s] failure to respond to [FINRA’s] information requests frustrates [FINRA’s] ability to detect misconduct, and such inability in turn

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<sup>16</sup> Interest and time period are as provided in the promissory note.

<sup>17</sup> See *Department of Enforcement v. Siegel*, No. C05020055, 2007 NASD Discip. LEXIS 20, at \*62 (N.A.C. May 11, 2007).

<sup>18</sup> Sanction Guidelines 37.

<sup>19</sup> *Joseph Patrick Hannan*, Exchange Act Rel. No. 40438; 1998 SEC LEXIS 1955, at \*9 (Sept. 14, 1998).

threatens investors and markets....”<sup>20</sup> Because compliance with Rule 8210 is necessary for FINRA to carry out its regulatory functions, the Sanction Guidelines provide that “if the individual did not respond in any manner, a bar should be standard.”<sup>21</sup>

In this case, there is no evidence of mitigating factors in the record. The Hearing Officer finds that a bar from associating with any FINRA registered firm in any capacity is the appropriate sanction.

## **V. Order**

Anthony L. Semadeni is barred from associating with any FINRA-registered firm in any capacity for failing to respond in any manner to requests for information, in violation of Rules 8210 and 2010. The bar shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA. In light of the bar, the suspensions for his other violations would not serve any remedial purpose and will not be imposed.

In addition, Respondent is ordered to pay restitution<sup>22</sup> of \$16,000 to JW and \$16,000 to RC, together with interest on the unpaid balances, calculated at the rate established under Section 6621(a)(2) of the Internal Revenue Code, until paid in full. JW should receive interest from May 28, 2010, and RC should receive interest from July 25, 2010. Respondent is also ordered to pay

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<sup>20</sup> *PAZ Sec.*, Exchange Act Rel. No. 57656, 2008 SEC LEXIS 820, at \*13 (Apr. 11, 2008), *aff’d sub nom*, *PAZ Sec. v. SEC*, 566 F.3d 1172, 2009 U.S. App. LEXIS 11500 (May 29, 2009.)

<sup>21</sup> Sanction Guidelines 33.

<sup>22</sup> The customers are identified in the addendum to the Complaint, which is attached to this decision, and served only on the parties.

restitution to DW in the amount of \$30,000, plus interest on the unpaid principal balance at the rate of 7.5% per year from March 28, 2010, until paid, less: (1) any payments of interest or principal DW received from Respondent; and (2) any restitution DW recovered through arbitration or any other avenue.



Rochelle S. Hall  
Hearing Officer

Copies to:     Anthony L. Semadeni (via overnight courier and first-class mail)  
                  Helen Barnhill, Esq. (via electronic and first-class mail)  
                  Mark P. Dauer, Esq. (via electronic mail)  
                  David R. Sonnenberg, Esq. (via electronic mail)

**FINANCIAL INDUSTRY REGULATORY AUTHORITY**

**OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Anthony L. Semadeni (CRD No.2601121),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2010021983501

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. From approximately September 2007 through April 2009, Respondent Semadeni borrowed at least \$85,000.00 from four of his customers without complying with NASD Rule 2370. Semadeni failed to fully repay the money he borrowed from these customers. Moreover, Semadeni falsely completed a firm compliance questionnaire that requested information about borrowing from customers, thereby misleading the firm about his borrowing activity. Finally, Semadeni did not respond to all of the staff's 8210 requests for information and documents and he also provided FINRA with a false and misleading 8210 response. Such conduct by Semadeni violated NASD Conduct Rules 2310 and 2110 and FINRA Rules 8210 and 2010.

## **RESPONDENT AND JURISDICTION**

2. Respondent Semadeni entered the securities industry in May 1995 when he became registered through a FINRA member firm as an Investment Company & Variable Contracts Products Representative (“IR”) and Principal (“IP”). Semadeni was temporarily terminated from this firm on February 2, 2001, for failing to complete the 2000 firm element of his continuing education, but was re-registered as an IR and IP on February 23, 2001. In April 2002, this FINRA member firm mass-transferred all of its registered representatives, including Semadeni, to World Group Securities (“WGS”). Semadeni was registered with WGS until March 19, 2010, when, according to CRD, he was discharged for acting “in violation of firm policies by borrowing funds from a client” and for failing “to fully cooperate in the firm’s investigation of the matter.”
3. Although Respondent has not been associated with a FINRA member firm since March 19, 2010, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be associated with a FINRA member.

### **FIRST CAUSE OF ACTION**

#### **Borrowing From Customers**

**(NASD Conduct Rules 2370 and 2110 and FINRA Rule 2010)**

4. The Department realleges and incorporates by reference paragraphs 1 to 3 above.

**Customer VR**

5. On or about September 26, 2007, Semadeni borrowed \$10,000.00 from VR, a customer for whom Semadeni was the assigned registered representative. Semadeni borrowed the funds so he could landscape his yard, and thereby avoid penalties to be imposed by his Homeowners Association. To document the loan, VR and Semadeni executed a promissory note, signed by both parties on September 26, 2007.  
  
According to the promissory note, Semadeni promised to repay VR \$10,000.00, in monthly installments of \$1,000.00 and interest at the rate of \$250.00 per month until paid. Each payment was to be received by the 15<sup>th</sup> of each month, beginning on October 15, 2007 and ending no later than July 15, 2008.
6. Semadeni began making monthly payments to VR in October 2007, though the payments were always late, causing VR to make late mortgage payments on her home. By March 2009, Semadeni repaid VR all but \$3,050.00 of what he owed her. Upon discovery of the loan, WGS paid VR the remaining \$3,050.00 owed to her.

**Customer JW**

7. On or about March 3, 2009, JW loaned Semadeni \$20,000.00. Semadeni was JW's assigned registered representative at this time. Semadeni recommended that JW liquidate a variable annuity in order to obtain the \$20,000.00 which she then lent to him.
8. On or about March 3, 2009, Semadeni signed a promissory note agreeing to pay JW twelve monthly interest payments of \$1,000.00 each beginning on April 28, 2009,

and one balloon payment of \$20,000.00, due on May 28, 2010. The note also specified that a late charge of 5% would be assessed if the payment was not received within 15 days after the payment was due. JW secured the promissory note with a Deed of Trust on Semadeni's residence.

9. When JW liquidated her annuity to lend money to Respondent Semadeni, she incurred an early withdrawal penalty of approximately \$2,125.00. JW was not aware that the penalty would be imposed and Respondent did not disclose this to her. Semadeni has only repaid \$4,000.00 to JW.

#### **Customer RC**

10. In or about April 2009, Semadeni approached his customer RC about liquidating a variable annuity she purchased through him at WGS, in order to lend the proceeds to him. RC declined to liquidate the annuity; however, instead she and her friend, JK (who was not a WSG customer) decided to lend Semadeni other funds they had in savings. Therefore, on or about April 28, 2009, RC and JK loaned Semadeni \$25,000.00.
11. Semadeni, RC and JK entered into a promissory note dated April 28, 2009, whereby Semadeni agreed to pay RC and JK twelve monthly payments of \$1,000 each beginning on June 28, 2009, and one balloon payment of \$25,000, due on July 25, 2010. The note also specified that a late charge of 5% would be assessed if the payment was not received within 15 days after the payment was due. Like JW, RC and JK secured the loan with a Deed of Trust on Semadeni's home.
12. Semadeni has only repaid \$9,000.00 to RC and JK.

**Customer DW**

13. DW entered into a promissory note with Semadeni dated December 19, 2008, reflecting that Semadeni was to repay \$30,000.00 to DW. According to the Promissory Note and a related Deed of Trust, Semadeni agreed to pay DW monthly installments of \$1,000.00 beginning on February 28, 2009, for 12 months. The remaining balance of the loan was to be paid in one balloon payment on March 28, 2010. Interest of 7.50% was to be assessed on the loan. Respondent's failure to provide information in response to Rule 8210 requests prevented FINRA from determining whether he has repaid any portion of the loan to DW.
14. WGS' Written Supervisory Procedures in effect from 2007 through 2009, prohibited borrowing or lending money or securities from or to a customer with the following three exceptions: (1) the individual was a member of such person's immediate family; (2) the individual was a financial institution regularly engaged in the business of providing credit, financing, or loans or other entity or person that regularly arranged or extended credit in the ordinary course of business; or (3) the individual and the Field Representative were both registered persons of WGS. The Procedures provided that any such loans also required prior written approval from WSG. The loans from VR, JW, RC and DW to Semadeni did not meet the conditions of the three exceptions noted above.
15. Moreover, WGS did not preapprove any lending or borrowing arrangements for Semadeni. In addition, WGS has no record of any request submitted by Semadeni to engage in any borrowing and/or lending arrangements.

16. At the time that Semadeni borrowed money from customers VR, JW, RC and DW, he was associated with WGS as a registered IR and IP.
17. By borrowing money from customers JW, RC, DW and VR under the circumstances set forth above, Semadeni violated NASD Conduct Rule 2370.
18. Semadeni's conduct is further inconsistent with high standards of commercial honor and just and equitable principles of trade. Therefore, with respect to customer VR, Semadeni violated NASD Conduct Rule 2110 and, with respect to JW, RC and DW, Semadeni's conduct violated FINRA Rule 2010.

#### **SECOND CAUSE OF ACTION**

##### **Misleading Member Firm Employer about Borrowing Funds from Customers (NASD CONDUCT RULE 2110 AND FINRA RULE 2010)**

19. The Department realleges and incorporates by reference paragraphs 1 through 3 and 5 through 18 through above.
20. On December 30, 2009, after Semadeni had borrowed money from JW, RC, DW and VR, Semadeni signed WGS's Semi Annual Interview Preparation Worksheet and checked "no" to the following question, "Were you involved in borrowing or lending money or securities from or to a client? If YES, please explain and provide this information immediately to your ROSJ Manager."
21. In addition, between December 2007 and December 2009, Semadeni completed three WGS Annual Compliance Meeting Program- Registered Representative Compliance Checklists. In 2007 he answered "Yes" to the question which states, "I have not borrowed money or securities from a WGS registered representative nor a WGS customer unless the individual is an immediate family member or the lending

of money is a routine aspect of the customer's business, e.g. a bank or mortgage company. The simple act of borrowing money from a client may subject me to severe regulatory sanctions."

22. Additionally, Semadeni answered "Yes" in 2007, 2008 and 2009 to the question that states, "I have not accepted from a customer or a WGS representative, any cash, a check made payable to myself or shared in any profit or loss in a customer or any WGS representative account." In addition he answered "yes" to the following question in 2008 and 2009: "I understand that WGS policy prohibits me from borrowing money or securities from a WGS customer unless the customer is an immediate family member, or the customer is a financial institution (e.g. a bank or mortgage company). I understand that the simple act of borrowing money from a client may subject me to severe regulatory sanctions."

23. Semadeni was aware of the firm's policy on borrowing from customers. As set forth above, he indicated he understood its policy when completing the annual compliance checklists. Additionally, Semadeni signed and initialed the WGS Applicant Checklist in February 2003, to indicate that he understood that he could not borrow funds from or loan funds to a WGS client, prospective client or a WGS representative and that such activity could subject him to severe regulatory sanctions.

24. By answering the above questions as he did, Semadeni misled WSG about his borrowing activities. Such conduct during the period January 2007 through December 14, 2008, constituted violations of NASD Conduct Rule 2110. Such

conduct on or after December 15, 2008, constituted violations of FINRA Rule 2010 by Semadeni.

**THIRD CAUSE OF ACTION**  
**FAILURE TO RESPOND TO FINRA REQUESTS FOR INFORMATION AND DOCUMENTS AND**  
**PROVIDING FINRA WITH A MISLEADING 8210 RESPONSE**  
(FINRA Rules 8210 and 2010)

25. The Department realleges and incorporates by reference paragraphs 1 to 3, 4 to 18 and 20 to 24 above.
26. On April 1, 2010, the staff sent Semadeni a Rule 8210 request letter asking for information and documents concerning funds borrowed from VR and JW. The staff's request also asked Semadeni to provide information about, "Other Instances - *- A written statement indicating whether you have ever borrowed or requested to borrow funds from one of your clients or co-workers.*" Semadeni was asked to provide the name of each individual along with other details about the loans. On April 29, 2010, Semadeni responded through counsel. In this response Semadeni admitted to borrowing money from VR and JW, but he failed to provide information about borrowing arrangements he had with other customers. This failure to respond completely to a Rule 8210 request for information prevented FINRA from discovering timely that Semadeni had also borrowed funds from other customers. By failing to disclose all loans in his response, Semadeni knowingly misled FINRA staff.
27. On August 19, 2010, FIRNA staff sent Semadeni a written request pursuant to Rule 8210 asking that he respond and provide documentation concerning, among other

things, allegations that he borrowed approximately \$25,000 from RC and borrowed an undetermined amount from JS. In addition, FINRA again requested information about any other instances of such activity. The staff inquired about a possible lending arrangement with JS based upon staff review of electronic communications between JS and Semadeni in which JS stated that she wanted repayment of funds owed to her by Semadeni.

28. The letter requested that Semadeni provide a response by September 2, 2010. The staff sent its request to Semadeni's CRD address (at which the staff had previously made contact with Semadeni) via certified and first class mail. The staff also faxed a copy of the request to the lawyer who responded on Semadeni's behalf in April 2010. The certified mailing was returned marked "vacant" and the first class letter was not returned. Semadeni did not respond in any manner.
29. On October 12, 2010, the staff re-sent the August 8210 letter to Semadeni's CRD address, requesting a response by no later than October 26, 2010. The letter was sent via certified and first class mail. The certified mailing was returned marked "return to sender, unclaimed, unable to forward." The first class mailing was not returned. Semadeni did not respond.
30. By failing to identify other customers in his April 2010 response and by not responding to the August and October request letters, Semadeni prevented the staff from determining whether he had borrowed funds from other customers, the specific details of the borrowing and lending arrangements, and whether Semadeni has repaid all of the loans.

31. By failing to respond to FINRA's August and October 2010 letters and by providing FINRA with a misleading 8210 response, Semadeni violated FINRA Rules 8210 and 2010.

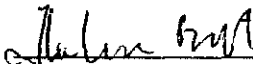
**RELIEF REQUESTED**

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest"; order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

**FINRA DEPARTMENT OF ENFORCEMENT**

Date: 10-4-2011

  
Helen G. Barnhill  
Senior Regional Counsel  
Jacqueline D. Whelan  
Regional Chief Counsel  
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