

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

Department of Enforcement,

Complainant,

v.

Golden Beneficial Securities Corp.
(CRD # 48029),

James Geoffrey St. Leger
(CRD # 2671578),

Sean Hayden Leidelmeyer
(CRD # 2737913),

and

Jennifer Kaye Woods
(CRD # 4119602),

Respondents.

DISCIPLINARY PROCEEDING
No. 2010023935101

Hearing Officer – MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: May 27, 2014

INTRODUCTION

Disciplinary Proceeding No. 2010023935101 was filed on October 14, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent James Geoffrey St. Leger submitted an Offer of Settlement (Offer) to Complainant dated May 6, 2014. 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 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

James Geoffrey St. Leger (CRD No. 2671578) St. Leger first registered with FINRA in September 1995. St. Leger was registered with Golden Beneficial from March 2008 until he resigned from Golden Beneficial on December 6, 2013. In July 2013, St. Leger became Golden Beneficial's Chief Compliance Officer.

Although St. Leger is no longer associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, § 4 of FINRA's By-Laws of the Corporation, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, namely December 6, 2013, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

**OPERATING AN UNREGISTERED BROKER-DEALER
WILLFUL VIOLATION OF SECTION 15(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
NASD RULE 2110, AND FINRA RULE 2010**

Golden Beneficial allowed customers to directly access the securities markets through a platform called InstaQuote. Through InstaQuote, customers could directly enter orders for automatic execution through Golden Beneficial's clearing firm. This type of access is called direct market access ("DMA").

Golden Beneficial allowed accounts, including DMA accounts, to be established with a master/subaccount structure. Under this structure, Golden Beneficial opened an account for a top-level customer (the "master account") and then permitted the customer to have subordinate accounts of the master account ("subaccounts").

On or about May 22, 2008, St. Leger opened a master/subaccount arrangement at Golden Beneficial in the name of TCI. TCI was a Texas company incorporated in June 2008.

St. Leger ran the day-to-day operations of TCI as its Chief Operating Officer and was its sole employee. At the time St. Leger was operating the TCI account, he was a registered representative with Golden Beneficial. St. Leger operated TCI from his office at Golden Beneficial.

From May or June 2008 through December 2008, TCI paid St. Leger \$2,000 a month for his role as COO of TCI.

On May 23, 2008, St. Leger funded the TCI account with a \$25,000 deposit provided by BB, TCI's owner.

St. Leger recruited customers to open subaccounts with the TCI master account through internet advertisements and over the telephone. The individuals recruited by St. Leger were interested in conducting day trading in the TCI subaccounts.

Under the arrangement for subaccounts in the TCI master account, subaccount holders were charged a fee for the use of TCI's margin, received the profits of their trading in the subaccount, and were responsible for their trading losses. Those terms were determined by St. Leger and BB.

Once a subaccount was opened by a customer of TCI, St. Leger took the steps necessary to operate the master/subaccount arrangement. St. Leger provided InstaQuote user IDs and passwords to the customers, handled customer deposits, collected margin fees from the customers, and arranged for the transfer of funds to and from various TCI accounts as well as the transfer of funds between TCI and the subaccounts.

St. Leger also monitored the equity in the subaccounts and assigned margin, or "buying power," to the subaccounts. He also took steps to ensure that subaccounts did not hold positions in securities overnight, controlled the trading parameters for the accounts, and performed back-office functions for the accounts by making entries in the InstaQuote system.

St. Leger also created profit and loss reports for each subaccount holder and sent those reports to the customers.

TCI subaccount holders funded the subaccounts by sending wires or checks to TCI's bank account. St. Leger then transferred the customers' funds from TCI's bank account to TCI's

master account at Golden Beneficial and then assigned those amounts to the customers' subaccounts.

TCI charged its customers a monthly fee for the use of TCI's margin. The fee was based on the amount of buying power the customer elected to use during the month.

TCI extended margin to customers for their securities transactions. TCI required customers to have only \$2,000 in equity in their accounts and extended buying power of up to ten times customer equity. TCI pooled customers' funds with its own funds in order to secure from Golden Beneficial's clearing firm, PFS, the necessary margin to extend up to ten-to-one buying power to the customers.

The first subaccounts for the TCI master account were opened on or about June 2, 2008. The subaccounts were initially funded in November and December 2008. A total of nine subaccounts were opened and engaged in trading activity before TCI ceased operations in April 2009. Through the subaccounts, TCI customers engaged in pattern day trading. Golden Beneficial received a total of \$33,075 in commissions from the trades executed in the TCI accounts.

Section 15(a)(1) of the Exchange Act makes it unlawful for any broker or dealer "to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker or dealer is registered" in accordance with Section 15(b) of the Exchange Act. There are limited exemptions to this requirement, but none are applicable to this matter.

Section 3(a)(4) of the Exchange Act defines a "broker" as a person, which can include a company, engaged in the business of effecting transactions in securities for the account of others.

A person acts as a broker if he regularly participates in securities transactions at key points in the chain of distribution. Actions indicating that a person is effecting securities transactions include soliciting investors; handling customer funds and securities; participating in the order-taking or order-routing process; and extending or arranging for the extension of credit in connection with a securities transaction.

By taking the actions described above, St. Leger operated TCI as a broker-dealer.

TCI never registered with the U.S. Securities and Exchange Commission as a broker-dealer.

As a result of the foregoing conduct, St. Leger operated TCI as an unregistered broker-dealer and willfully violated Section 15(a)(1) of the Securities Exchange Act of 1934. By violating Section 15(a)(1) of the Exchange Act, St. Leger also violated NASD Rule 2110 and FINRA Rule 2010.

**VIOLATIONS OF FINRA'S MARGIN REQUIREMENTS
NASD RULES 2520 AND 2110 AND FINRA RULE 2010**

NASD Rule 2520(b)(4) provides that the minimum equity requirement for a "pattern day trader" is \$25,000. In addition, Rule 2520(f)(8)(B)(iii) limits day-trading buying power to four times the day trader's maintenance margin excess.

From on or about October 2008 to April 2009, St. Leger permitted TCI's customers to act as pattern day traders without maintaining minimum margin equity of \$25,000 and allocated buying power to customers in excess of four times their margin equity.

As described above, St. Leger set up the TCI account specifically to allow TCI customers to circumvent the day-trading limitations of NASD Rule 2520. That arrangement was designed to allow, and did allow, TCI customers—who were purchasing and selling the same security on the same day, and doing so more than four times within five business days—to engage in day

trading without making a minimum equity contribution of \$25,000. The arrangement also provided those customers with buying power of more than four times their maintenance margin excess. St. Leger accomplished this by pooling customer and TCI funds.

As a result of the foregoing conduct, St. Leger violated NASD Rule 2520 and, by virtue of those violations, NASD Rule 2110 and FINRA Rule 2010.

PROVIDING FALSE AND MISLEADING INFORMATION TO PFS
VIOLATION OF NASD RULE 2110 AND FINRA RULE 2010

In November 2008 and again in February 2009, St. Leger signed a Customer Subaccount Agreement which was sent to PFS in connection with the opening of subaccounts associated with the TCI master account.

The Customer Subaccount Agreement stated, under the heading "Nature of Subaccounts," that subaccounts were not to be treated as separate accounts for any purpose other than to separate securities into separate groups for the convenience of TCI to view the subaccounts.

St. Leger knew that the TCI subaccounts were treated as separate accounts for purposes other than to separate securities into separate groups for the convenience of TCI to view the subaccounts, as described in detail above.

In the fall of 2008, Golden Beneficial's clearing firm, PFS, began requiring that introducing broker-dealers provide PFS with attestations relating to master/subaccount relationships.

One form, entitled "Correspondent Attestation for Master/Sub Account Relationship" ("Correspondent Attestation") required that an introducing firm attest to the nature of the master/subaccount relationships for which it was introducing.

The other form, entitled, "Account Holder Attestation for Master/Sub Account Relationship" ("Account Holder Attestation") required the master account holder to attest to the nature of the master/subaccount relationship.

PFS required these attestations so it could obtain additional information regarding the nature of the master/subaccount relationships for which it provided clearing services.

In November 2008 and again in February 2009, St. Leger executed and submitted to PFS an Account Holder Attestation on behalf of TCI in connection with the opening of subaccounts associated with the TCI master account.

On behalf of TCI, St. Leger "certif[ied] and state[d]" to PFS, among other things:

- a. all trading in the TCI accounts occurred on behalf of TCI;
- b. TCI's customers did not invest funds in the accounts;
- c. TCI's customers were not responsible for trading losses in the accounts;
and
- d. TCI was not in violation of the Exchange Act of 1934 or of any rule or regulation of the SEC or any self-regulatory organization.

Each of these statements was false. St. Leger knew, or should have known, that each of the statements was false.

FINRA Rule 2010 requires that a "member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

The misrepresentations made by St. Leger regarding the TCI master/subaccount arrangement in documents submitted to PFS violated NASD Rule 2110 and FINRA Rule 2010.

Based on the foregoing, Respondent St. Leger willfully violated Section 15(a)(1) of the Exchange Act of 1934 and violated NASD Rule 2520, NASD Rule 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

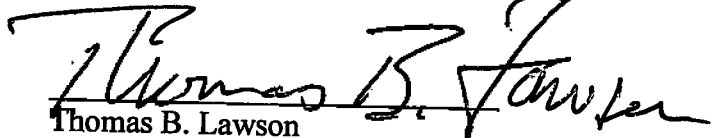
It is ordered that Respondent be suspended from association with any FINRA member firm in any capacity for six months and fined \$30,000.

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, appearing to read "Thomas B. Lawson", is written over a horizontal line.

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