

**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 Golden Beneficial Securities Corp. submitted an Offer of Settlement (Offer) to Complainant dated May 14, 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

Golden Beneficial Securities Corporation (CRD No. 48029) was headquartered in Houston, Texas. Golden Beneficial registered with FINRA (then NASD) in 1999 under the name Golden Beneficial Securities. Golden Beneficial Securities changed its name to Golden Beneficial Securities Corporation in 2004. On January 15, 2014, FINRA cancelled Golden Beneficial's registration for failure to pay outstanding fees.

Golden Beneficial remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article IV, § 6 of FINRA's By-Laws of the Corporation, because (1) the Complaint was filed within two years after effective date of the resignation, cancellation, or revocation of its membership, namely, January 15, 2014, and (2) the Complaint charges it with misconduct committed while it was a FINRA member.

FINDINGS AND CONCLUSIONS

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

**AIDING AND ABETTING THE OPERATION OF AN UNREGISTERED BROKER-DEALER
IN 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.

Golden Beneficial provided substantial assistance to St. Leger in his operation of TCI as an unregistered broker-dealer.

Sean Leidelmeyer was Golden Beneficial's CEO and head of trading and Jennifer Woods was Golden Beneficial's President and Chief Compliance Officer.

Leidelmeyer and Woods were aware of TCI's master/subaccount arrangement and were consulted before the TCI accounts were opened.

Leidelmeyer and Woods were aware that St. Leger solicited customers to trade in TCI subaccounts, handled customer funds, provided order-taking and order-routing services for TCI customers, and extended and arranged for the extension of credit for TCI customers in connection with securities transactions.

Leidelmeyer was the Golden Beneficial registered representative assigned to the TCI account. He assisted St. Leger in the performance of the back-office functions for TCI using the

InstaQuote software. Leidelmeyer also assisted TCI in deducting fees owed by TCI customers from their subaccounts and in moving the money to the TCI master account.

Golden Beneficial provided substantial assistance to St. Leger in the operation of the TCI account as an unregistered broker-dealer by, among other things:

- allowing the TCI account to be opened and extending direct market access to the TCI master and subaccounts;
- providing St. Leger with trading software which allowed him to route TCI customers' orders to the market, allowed St. Leger to track customers' trading and issue reports of its customers' profits and losses, allowed St. Leger to monitor customers' equity and assign buying power, allowed St. Leger to conduct other account maintenance including stopping trading in the subaccounts, and enabled St. Leger to conduct certain back-office functions for TCI; and
- assisting St. Leger in deducting fees owed by customers from their subaccounts and moving the money to the TCI master account, assisting with the TCI accounts' margin, and permitting St. Leger to operate TCI from his Golden Beneficial office space.

As a result of the foregoing, Golden Beneficial provided substantial assistance to St. Leger in his operation of TCI as an unregistered broker-dealer. Golden Beneficial thus aided and abetted St. Leger's violation of Section 15(a)(1) of the Exchange Act and, by virtue of that violation, also violated NASD Rule 2110 and FINRA Rule 2010.

VIOLATIONS OF FINRA'S SUPERVISION RULES
VIOLATION OF NASD RULES 3010(b) AND 2110 AND FINRA RULE 2010

Golden Beneficial's written supervisory procedures did not contain any provisions addressing its direct market access business or its use of master/subaccount arrangements. The Firm engaged extensively in both activities. During 2008 and 2009, DMA accounts comprised

nearly 40% of all accounts held at Golden Beneficial. The Firm also held two omnibus accounts and approximately ten master/subaccount arrangements.

NASD Rule 3010(b) requires that each member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.”

Because Golden Beneficial’s written supervisory procedures did not address its direct market access business or its use of master/subaccount arrangements, those procedures were not tailored to the firm’s business and were not reasonably designed to achieve compliance with applicable NASD and FINRA rules and the federal securities laws. Golden Beneficial thereby violated NASD Rule 3010 and, as a result of that violation, violated NASD Rule 2110 and FINRA Rule 2010.

Based on the foregoing, Respondent violated Section 15(a)(1) of the Securities Exchange Act of 1934, NASD Rule 3010, 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 censured.

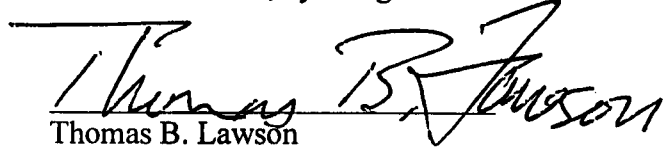
Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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.

Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Third Floor
Rockville, MD 20850
Tel: (301) 258-8551
Fax: (202) 974-2805