

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023975301**

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

RE: James Owen, Respondent
CRD No. 5191404

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

Respondent James Owen entered the securities industry in 2006. He was registered with one FINRA member firm as a general securities representative (Series 7) and state law agent (Series 66), until he was terminated in August 2010 for the conduct described herein. Owen also holds various insurance licenses and is a Certified Financial Planner.

OVERVIEW

Between December 2009 and July 2010, Owen arranged for sixteen customers to open accounts at on-line trading firms, and conducted high-risk options trading in twelve of those accounts on behalf of the customers. Owen did not fully understand or communicate the potential risks of the options trading he conducted, and most of his customers had very limited understanding of the strategies he employed in their accounts. As a result of Owen's trading, twelve of his customers lost almost \$314,000. Owen also failed to disclose these activities

to his employing member firm, failed to disclose that he was a registered representative to the on-line trading firms where the accounts were held, engaged in discretionary trading without written authorization, and induced the customers to falsify their investment experience on new account forms they filled out when they opened their accounts.

By virtue of this conduct, Owen violated FINRA Rules 2010 and 2360(b)(18) & (19), and NASD Rules 2310, 2510, and 3050

FACTS AND VIOLATIVE CONDUCT

Prior to April 2009, Owen had no experience trading options. In April 2009, he began attending seminars to learn options trading strategies. In July 2009, he began using some of these strategies in his personal accounts.

In December 2009, Owen began arranging to trade options on behalf of a number of individuals who were customers of his at the firm with which he was registered. He arranged for sixteen customers to open a total of sixteen accounts between December 2009 and July 2010 at two on-line trading brokerage firms.¹

The customers gave Owen permission to trade in the accounts in the hopes of generating returns to help fund their retirements. Owen hoped the customers would use some of the proceeds from the options trading to buy insurance products through him, from which he would earn commissions. Some of the customers set up automated withdrawals from their options trading accounts to fund the purchase of insurance products through Owen. Nine of the customers borrowed money from their 401(k) plans to participate in Owen's trading.

Each of the customers verbally authorized Owen to exercise trading discretion in their accounts, but did not do so in writing. The customers had a very limited understanding of the risks of options or of Owen's trading strategies. Owen and his customers provided false information about their investment experience on the new account applications they used to open the accounts. Although most of the customers had little or no options trading experience, and limited experience in the market, at Owen's instruction they falsely stated on their new account applications that they had between two and ten years' experience trading options (including making five to thirty-five trades per year) and many years' experience trading stocks (including, in most instances, making twenty to thirty trades per year).

¹ Three customers opened accounts but never funded them, and one funded his account but did not make any trades.

Owen did not disclose his trading in these accounts to the firm with which he was employed until July 2010. Moreover, he never disclosed to the firms where the accounts were maintained that the trading in the accounts was being conducted by a person registered at another firm.

Owen conducted trading in the customers' accounts from December 2009 to July 2010. He entered all of the trades in the accounts by logging on to the customers' accounts using their passwords. The trading he did involved credit spreads on indexes such as the NASDAQ-100, Russell 2000, S&P 500 and S&P 100. He entered the same trades (in differing dollar amounts) for each customer. Owen's trading was initially successful but by July 2010 he had incurred significant losses in the customers' accounts. He ceased trading shortly thereafter.

Owen's customers lost money, ranging from approximately \$2,850 to \$65,300. The total losses in the customer accounts were almost \$314,000—an average of 42% of the amounts invested.

By engaging in the conduct described above, Owen violated various provisions of the Conduct Rules applicable to registered persons. First, by recommending options transactions which exceeded the risk tolerance of his customers, by recommending options transactions without fully understanding the potential risks, and by failing to fully apprise his customers of those risks, Owen violated the suitability requirements of NASD Rule 2310 and the suitability requirements for options trading of FINRA Rules 2360(b)(19)(A) & (B). Second, by falsifying or assisting in the falsification of the new account information on the customer account applications, Owen violated FINRA Rule 2010. His falsification of the forms interfered with the ability of the firms where the accounts were held to comply with the approval requirements for options trading and created false records. Third, by failing to disclose his involvement with the on-line accounts to his employing firm, and by failing to disclose his status as an associated person to the on-line trading firms in connection with the accounts for his customers, Owen violated NASD Rule 3050. Fourth, by exercising discretionary authority over his customers' on-line trading accounts without written authorization, Owen violated FINRA Rule 2360(b)(18) and NASD Rule 2510. Fifth, by violating the provisions cited above, Owen failed to observe high standards of commercial honor and just and equitable principles of trade, in further violation of FINRA Rule 2010.

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

1. a suspension from association with any FINRA member firm in any capacity for two years;

2. restitution to the customers listed on Schedule A hereto in the total amount of \$313,981, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. §6621(a)(2), from July 31, 2010, until the date of payment; and
3. a fine of \$15,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

Restitution amounts ordered pursuant to this disciplinary action are due and payable immediately upon reassociation with a member firm following the suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

Respondent Owen shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to FINRA either by letter that identifies the Respondent and the case number and includes a copy of the checks, money orders or other methods of payment or by e-mail, with pdf copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to FINRA prior to reassociation with a member firm following the two year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The fine shall be due and payable either immediately upon reassociation with a member firm following the two year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 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 suspension (see FINRA Rules 8310 and 8311).

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 prejudice 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.

5/3/2012
Date

James Owen
Respondent

Accepted by FINRA:

May 23, 2012
Date

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

Thomas B. Lawson

Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850

SCHEDULE A TO AWC**2010023975301**

Account	Amount
DB	\$ 24,463
TC	\$ 17,804
JG	\$ 20,282
SH	\$ 29,099
LH	\$ 5,578
LJ	\$ 34,624
WK	\$ 65,290
JM	\$ 2,851
MR	\$ 4,467
Mi S	\$ 40,006
Ma S	\$ 47,987
DT	\$ 21,531