

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

KEATH A. WARD
(CRD No. 2785440),

Respondent.

Disciplinary Proceeding
No. 2010025270802

Hearing Officer – MAD

DEFAULT DECISION

July 27, 2012

Respondent is barred from associating with any FINRA-registered firm in any capacity for failing to respond to requests for information, in violation of FINRA Rules 8210 and 2010.

Appearances

For the Department of Enforcement, Complainant, Soo H. Im, Esq.

No appearance by or on behalf of Keath A. Ward.

DECISION

I. Introduction

On March 14, 2012, the FINRA Department of Enforcement (“Enforcement”) filed the attached Complaint with the Office of Hearing Officers, charging Respondent Keath A. Ward (“Ward”) with failing to respond to requests for information FINRA staff issued pursuant to Rule 8210, in violation of FINRA Rules 8210 and 2010.¹

¹ The FINRA Rules are available at www.finra.org/Rules.

Ward did not answer or otherwise respond to the Complaint. Accordingly, on June 14, 2012, Enforcement filed a Motion for Entry of Default Decision ("Default Motion").² Ward did not respond to the Default Motion.

For the reasons set forth below, the Hearing Officer found Ward in default, granted Enforcement's Default Motion, and deemed the allegations in the attached Complaint admitted pursuant to Rules 9215(f) and 9269(a).

II. Findings of Fact and Conclusions of Law

A. Ward's Background

Ward first entered the securities industry in August 1996.³ From May 2008 through March 2009, Ward was registered with FINRA as a General Securities Representative through his association with First Allied Securities, Inc. ("First Allied").⁴ On March 26, 2009, First Allied filed a Uniform Termination Notice for Securities Industry Registration ("Form U5"), reporting Ward's termination.⁵ Ward was registered with another FINRA member firm between April 2009 and January 2011.⁶ Since January 2011, he has not been associated with a FINRA member firm.⁷

FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) Enforcement filed the Complaint within two years after FINRA terminated his registration, and (2) the Complaint charges him with failing to respond to

² Enforcement's Default Motion is supported by the Declaration of Soo H. Im and 16 exhibits, which are labeled CX-1 through CX-16.

³ CX-1, at 7.

⁴ Im Decl. ¶ 3; CX-1, at 3.

⁵ Im Decl. ¶ 4; CX-2.

⁶ Im Decl. ¶ 3; CX-1, at 3.

⁷ CX-1.

Enforcement's requests for information and documents made during the two-year period following the termination of his FINRA registration.⁸

B. Origin of the Investigation

In February 2009, shortly before Ward's termination, First Allied amended Ward's Uniform Application for Securities Registration or Transfer ("Form U4") to report certain judgments and liens against him.⁹ First Allied discovered the liens and judgments when it conducted standard credit checks for its registered representatives.¹⁰ Upon learning of Ward's liens and judgments, FINRA staff commenced an investigation.

C. Ward's Default

On March 14, 2012, Enforcement served Ward with the Notice of Complaint and Complaint by first-class and certified mail sent to his residential address recorded in the Central Registration Depository ("CRD"), as well as to five alternative addresses ("Alternate Addresses").¹¹ The United States Postal Service ("USPS") returned the first-class and certified mailings associated with the CRD address marked "Return to Sender Attempted-Not Known."¹² Regarding the attempts to serve Ward at the Alternative Addresses, all of the certified mailings were returned, and three of the five first-class mailings were returned.¹³

On April 12, 2012, Enforcement served Ward with the Second Notice of Complaint and Complaint in the same manner.¹⁴ Again, the USPS returned the first-class and certified mailings

⁸ See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/Rules (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

⁹ Im Decl. ¶ 5.

¹⁰ *Id.*

¹¹ Im Decl. ¶ 16; CX-3.

¹² Im Decl. ¶ 17; CX-4.

¹³ Im Decl. ¶¶ 18-22; CX-5, CX-6, CX-7, CX-8, CX-9.

¹⁴ Im Decl. ¶ 24; CX-10.

for the CRD address to Enforcement.¹⁵ The USPS also returned the certified mailings for the Alternate Addresses as undeliverable.¹⁶ Four of the five first-class mailings associated with the Alternate Addresses were returned.¹⁷ To date, Ward has not responded to the Complaint.

The Hearing Officer finds that Ward received constructive notice of this proceeding.¹⁸ Accordingly, the Hearing Officer finds that Ward defaulted by failing to answer or otherwise respond to the Complaint.

D. Failure to Provide Information and Documents

The Complaint alleges that Ward failed to respond to requests for information and documents, which FINRA staff sent to him pursuant to FINRA Rule 8210. FINRA staff issued the Rule 8210 requests on December 17, 2010, January 18, 2011, February 22, 2011, and March 21, 2011, in connection with FINRA's investigation of the facts and circumstances of Ward's liens and judgments.¹⁹ The staff sent the four requests to Ward at his CRD address.²⁰ Additionally, the staff sent the last two requests to three of the Alternate Addresses.²¹ Ward did not respond to the above requests.²²

On June 29, 2011, FINRA staff sent Ward a Notice of Suspension pursuant to FINRA Rule 9552.²³ The staff sent the Notice of Suspension to Ward's CRD address, as well as to two of

¹⁵ Im Decl. ¶ 25; CX-11.

¹⁶ Im Decl. ¶¶ 26-30; CX-12, CX-13, CX-14, CX-15, CX-16.

¹⁷ Im Decl. ¶¶ 26-30; CX-12, CX-13, CX-14, CX-15, CX-16.

¹⁸ *Dep't of Enforcement v. Reynolds Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) (*quoting Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998)).

¹⁹ Im Decl. ¶ 8.

²⁰ *Id.* Enforcement sent the first Rule 8210 request to Ward by first-class mail, and the next three request letters by first-class and certified mail. *Id.*

²¹ *Id.*

²² *Id.* ¶ 9.

²³ *Id.*

the Alternate Addresses, by FedEx and first-class mail.²⁴ The Notice of Suspension stated that Ward would be suspended from associating with any FINRA-registered firm in any capacity on July 25, 2011, unless he provided the information and documents requested in the Rule 8210 requests.²⁵ Because Ward did not respond by July 25, 2011, he was suspended.²⁶ On October 3, 2011, Ward was barred from associating with any FINRA member in any capacity.²⁷

After Ward was barred, Enforcement staff spoke to Ward and he stated that he wanted to appeal the bar and respond to the Rule 8210 requests.²⁸ As a result, on October 7, 2011, Enforcement again provided Ward with the October 3, 2011 letter, barring him and setting forth the appeal process. Enforcement sent the letter by email to an address provided by Ward.²⁹ On October 7, 2011, Enforcement also sent Ward: (1) the June 29, 2011 notice of suspension letter; (2) the underlying Rule 8210 requests, dated December 17, 2010, January 18, 2011, February 22, 2011, and March 21, 2011; (3) the July 25, 2011 suspension from association letter; and (4) the October 3, 2011 bar letter.³⁰ Enforcement sent the October 7 letter and enclosures by FedEx to an address that Ward stated was his most current address.³¹ Ward did not respond to the underlying requests.³²

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* ¶ 10.

²⁷ *Id.*

²⁸ *Id.* ¶ 11.

²⁹ *Id.*

³⁰ *Id.* ¶ 12.

³¹ *Id.*

³² *Id.*

On November 2, 2011, Ward appealed his bar. In his appeal letter, Ward indicated that he would respond to FINRA's Rule 8210 requests.³³ As a result, Enforcement attempted to contact Ward once again by telephone and by email.³⁴ On November 18, 2011, Enforcement sent the underlying Rule 8210 requests to Ward's CRD address and his Alternate Addresses.³⁵ The letters were also sent to the email address Ward provided to Enforcement.³⁶ Ward did not respond to the underlying requests.³⁷ On December 14, 2011, FINRA terminated Ward's suspension and revoked his bar.³⁸ However, Ward never responded to the staff's Rule 8210 requests.³⁹

FINRA staff properly served Ward with requests for information and documents on December 17, 2010, January 18, 2011, February 22, 2011, and March 21, 2011. Despite Ward's statement to Enforcement that he would respond to the Rule 8210 requests, he failed to do so. By failing to provide the information and documents, Ward violated FINRA Rule 8210.⁴⁰ In addition, Ward also violated FINRA Rule 2010. A violation of FINRA Rule 8210 constitutes conduct inconsistent with just and equitable principles of trade, and violates FINRA Rule 2010.⁴¹

III. Sanctions

The FINRA Sanction Guidelines ("Guidelines") recommend a bar where a respondent fails to respond in any manner to a request for information issued pursuant to Procedural Rule

³³ *Id.* ¶ 13.

³⁴ *Id.*

³⁵ *Id.* ¶ 14.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* ¶ 15.

³⁹ *Id.*

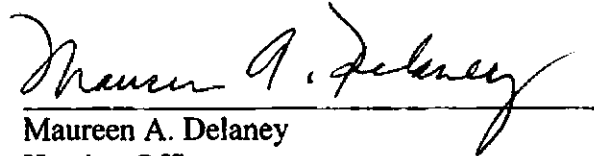
⁴⁰ See *PAZ Secs., Inc.*, Exchange Act Rel. No. 57656, 2008 SEC LEXIS 820, at *13 (Apr. 11, 2008) ("The failure to respond to [FINRA] information requests frustrates [FINRA's] ability to detect misconduct, and such inability in turn threatens investors and markets."), *aff'd*, 566 F.3d 1172 (D.C. Cir. 2009).

⁴¹ See *Joseph Ricupero*, Exchange Act Rel. No. 62891, 2010 SEC LEXIS 2988, at *13 n.12 (Sept. 10, 2010), *appeal docketed*, No. 10-4566 (2d Cir. Nov. 15, 2010).

8210.⁴² Here, Ward failed to respond to FINRA's four written requests for information issued in connection with the staff's investigation into his liens and judgments. There are no mitigating factors. Accordingly, the Hearing Officer will bar Ward from associating with any FINRA member in any capacity for violating FINRA Rules 8210 and 2010, as alleged in the Complaint.

IV. Order

Keath A. Ward is barred from associating with any member firm in any capacity for failing to respond to FINRA requests for information, in violation of FINRA Procedural Rule 8210 and Conduct Rule 2010, as alleged in the Complaint. The bar shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.


Maureen A. Delaney
Hearing Officer

Copies to: Keath A. Ward (*via overnight courier and first-class mail*)
Soo H. Im, Esq. (*via electronic and first-class mail*)
Scott M. Andersen, Esq. (*via electronic mail*)
Jacqueline D. Whelan, Esq. (*via electronic mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

⁴² FINRA Sanction Guidelines at 33 (2011).

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Keath A. Ward
CRD No. 2785440,

Respondent.

DISCIPLINARY PROCEEDING
No. 2010025270802

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In connection with an investigation by FINRA staff, Respondent Keath A. Ward failed to respond to Rule 8210 requests for information and documents, in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. Respondent first became registered as a General Securities Representative (GSR) through his association with a member firm in August 1996. From May 2008 to March 2009, Respondent was associated with First Allied Securities, Inc. (the Firm), where he was registered as a GSR. From April 24, 2009 to January 5, 2011, Respondent was associated with another member firm where he was registered as a GSR. Respondent has not been associated with another member firm since January 5, 2011.

3. Although Respondent is no longer registered or associated with a FINRA member, 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 effective date of termination of Respondent's registration with the Firm, namely, January 5, 2011 and (2) the Complaint charges him with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

CAUSE OF ACTION
Failure to Respond to Rule 8210 Requests
for Information and Documents
(Violation of FINRA Rules 8210 and 2010)

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

5. In February 2009, the Firm amended Respondent's Form U4 to report certain judgments and lien against him. The liens and judgments came to the Firm's attention when it conducted a standard credit check for its registered representatives in February 2009. Subsequently, FINRA staff commenced an investigation.

6. On or about October 27, 2009, FINRA staff issued its initial written request for information and documents pursuant to FINRA Rule 8210 to Respondent seeking information regarding his failure to timely report the liens and judgments. Respondent responded by a letter dated November 6, 2009.

7. Subsequently, the staff requested that Respondent provide additional written and supporting documents concerning, among other things, copies of liens, reasons for answering "no" to Form U4 questions regarding liens and judgments, and any communications with the Firm regarding the liens and judgments.

December 17, 2010 Letter

8. On December 17, 2010, the staff issued its initial request for information to Respondent, pursuant to FINRA Rule 8210. The letter was sent by first class mail to Respondent's CRD address: [REDACTED] (the CRD Address). The letter requested that Respondent provide information regarding his liens and judgments. The response was due by January 7, 2011. The first class mailing was not returned. Respondent did not respond to the December 17 letter.

January 18, 2011 Letter

9. On January 18, 2011, the staff issued another request for information to Respondent, pursuant to FINRA Rule 8210. The letter was sent by first class and certified mail to Respondent's CRD Address. The letter requested that Respondent provide the information regarding the liens and judgments requested in the staff's December 17 letter. The response was due by February 1, 2011

10. The first class mailing was not returned. The certified mailing was returned with the designation, "Return to Sender Unclaimed Unable to Forward." Respondent did not respond to the January 18 letter.

February 22, 2011 Letter

11. On February 22, 2011, the staff issued another request for information to Respondent, pursuant to FINRA Rule 8210. The letter was sent by first class and certified mail to Respondent's CRD Address as well as three (3) additional addresses:

- [REDACTED] (the "Ardmore Address");
- [REDACTED] (the "Vallagio Address"); and
- [REDACTED] (the "POB Address").

12. The letter requested that Respondent provide information concerning the liens and judgments that was previously requested in the staff's December 17, 2010 and January 18, 2011 letters. The response was due by March 8, 2011.

13. The first class mailing to the CRD Address was returned with the designation, "Returned to Sender Not Deliverable as Addressed Unable to Forward." The certified mailing to the CRD Address was returned with the designation, "Return to Sender Unclaimed Unable to Forward."

14. The first class mailing to the Ardmore Address was returned with the designation, "Returned to Sender Not Deliverable as Addressed Unable to Forward." The certified mailing to the Ardmore Address was returned with the designation, "Returned to Sender Not Deliverable as Addressed Unable to Forward."

15. The first class mailing to the Vallagio Address was returned with the designation, "Return to Sender Moved Left No Address Unable to Forward." The certified mailing to the Vallagio Address was returned with the designation, "Return to Sender Moved Left No Address Unable to Forward."

16. The first class mailing to the POB Address was not returned. The certified mailing to the POB Address was returned with the designation, "Return to Sender Unclaimed Unable to Forward."

17. Respondent did not respond to the February 22 letter.

March 21, 2011 Letter

18. On March 21, 2011, the staff issued its final request for information to Respondent, pursuant to FINRA Rule 8210. The letter was sent by first class and certified mail to Respondent's CRD Address, the Ardmore Address, the Vallagio Address, and the POB Address. The letter requested that that Respondent provide information concerning the liens and judgments that was previously requested in the staff's December 7, 2010, January 18 and February 22, 2011 letters. The response was due by April 4, 2011.

19. Neither the first class nor the certified mailing to the CRD Address was returned to the staff.

20. The first class mailing to the Ardmore Address was returned with the designation, "Return to Sender Unable to Forward." The certified mailing to the Ardmore Address was returned with the designation, "Return to Sender Unable to Forward."

21. The first class mailing to the Vallagio Address was returned with the designation, "Return to Sender Unable to Forward." The certified mailing to the Vallagio Address was returned with the designation, "Returned to Sender Unable to Forward."

22. The first class mailing to the POB Address was returned with the designation, "Returned to Sender Not Deliverable as Addressed Unable to Forward." The certified mailing to the POB Address was not returned to the staff.

23. Respondent did not respond to the March 21 letter.

24. As a result of Respondent's failure to provide information and documents in response to the staff's Rule 8210 request letters, on December 17, 2010, January 18, 2011, February 22, 2011, and March 21, 2011, the staff initiated a Rule 9552 proceeding against Respondent. The Notice of Suspension was served by FedEx and first class mail on Respondent's CRD Address, the Ardmore Address and the Vallagio Address.

25. The Notice of Suspension stated, among other things, that Respondent would be suspended from associating with any FINRA member in any capacity unless he complied with the Rule 8210 requests, prior to the suspension date of July 25, 2011. Because Respondent did not respond by July 25, 2011, he was suspended. On October 3, 2011, Respondent was barred from associating with any FINRA member in any capacity.

26. After Respondent was barred, Enforcement staff spoke to Respondent who indicated that he wanted to appeal the bar and respond to the Rule 8210 requests. As a result, on October 7, 2011, Enforcement sent to Respondent the October 3 bar letter setting forth the appeals process. This was sent by electronic mail to an address provided by Respondent:

██████████ By letter dated October 7, 2011, Enforcement also sent to Respondent: (1) the June 29, 2011 notice of suspension letter; (2) the underlying Rule 8210 requests (December 17, 2010, January 18, 2011, February 22, 2011, and March 21, 2011) that were previously sent to him; (3) the July 25, 2011 suspension from association letter; and (4) the October 3, 2011 bar letter. These documents were sent by FedEx to an address that Respondent indicated was his most current address: ██████████ (the Hillsdale Address). Respondent did not respond to the underlying requests.

27. Subsequently, Respondent appealed the bar by letter dated November 2, 2011. In his letter, in addition to appealing his suspension and the bar, Respondent indicated that he would like to respond to FINRA's inquiries. As a result, Enforcement attempted to contact Respondent once again by telephone and by email. Enforcement also sent the underlying Rule 8210 requests (December 17, 2010, January 18, 2011, February 22, 2011, March 21, 2011) to Respondent's CRD, Vallagio, Ardmore, Hillsdale, and the POB Addresses. The letters were also sent to one additional address obtained by the staff: [REDACTED]

[REDACTED] The letters were also sent by email to the email address that was previously provided by Respondent. Respondent did not respond to the underlying requests.

28. By letter dated December 14, 2011, FINRA terminated Respondent's suspension and revoked his bar. Accordingly, by order dated January 18, 2012, the SEC dismissed Respondent's application for review concerning the bar. To date, however, Respondent has failed to respond to the staff's underlying Rule 8210 requests.

29. By failing to provide information and documents in response to four Rule 8210 requests, as described above, Respondent violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

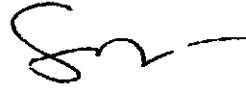
WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and

C. 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: March 14, 2012



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