

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110260985**

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

RE: Herman Mannings, Respondent
General Securities Principal
CRD No. 3254961

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

On June 7, 1999, Herman Mannings ("Mannings") first entered the industry with E*TRADE Securities, LLC. On May 18, 2001, he became registered as a General Securities Representative ("GSR") with E*TRADE Securities, LLC. On August 20, 2002, Mannings was registered as a GSR with J.P. Turner & Company, L.L.C. ("J.P. Turner" or the "Firm"). On February 10, 2003, Mannings was registered as a General Securities Principal ("GSP") at J.P. Turner. At present, Mannings continues to be registered as a GSR and GSP at J.P. Turner. FINRA retains jurisdiction over Mannings pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

During February 2009 through October 2011, Mannings failed to reasonably supervise the activities of a registered representative to prevent unsuitable mutual fund switching. This conduct violated NASD Rules 3010 and FINRA Rule 2010, which require a manager to maintain and enforce effective supervisory procedures

and observe high standards of commercial honor and just and equitable principles of trade.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 provides that each member shall 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.

A violation of NASD Rule 3010 constitutes a violation of FINRA Rule 2010 and NASD Rule 2110, which require the observance of high standards of commercial honor and just and equitable principles of trade.¹

During February 2009 through October 2011 (the "Relevant Period"), Mannings was an Area Vice President for the Firm and worked in its headquarters in Atlanta, Georgia. Throughout the Relevant Period, his responsibilities included the supervision of at least 30 branch offices and Offices of Supervisory Jurisdiction and as many as 60 representatives. Registered representative LG was one of the representatives that Mannings supervised. LG worked out of a California office during the Relevant Period.

During the Relevant Period, LG effected approximately 335 unsuitable mutual fund switches in the accounts of 54 customers without having reasonable grounds for believing that such transactions were suitable for those customers, in view of the nature of the recommended transactions, the frequency of the transactions, the transaction costs incurred, and in light of the customers' financial situation, investment objectives and needs. LG then used the proceeds of those sales to purchase mutual funds in other fund families for those customers, causing the customers to pay sales charges and commissions. Further, on solicited trades, LG recommended "Class A" mutual fund shares that require the payment of a sales charge with each new purchase. As a result of LG's unsuitable recommendations during the Relevant Period, the customers paid commissions in the amount of \$265,327 and other sales charges in the amount of \$34,072.

During the Relevant Period, Mannings' responsibilities included performing a daily review of securities transactions through the Firm's Protegent system, which functioned as an electronic trade blotter and as a means to flag trade "exceptions" requiring further supervisory action. This system generated exceptions for mutual fund switches and "Fund Family Diversification," situations in which a customer's mutual fund purchase involved a new fund family. LG's relevant mutual fund switches appeared on the Firm's Protegent system.

¹ NASD Rule 2110 was superseded by FINRA Rule 2010 on December 15, 2008.

Mannings was also responsible for reviewing and approving all of LG's "Mutual Fund Disclosure" letters. These letters described, among other information, the registered representative's asserted explanation for a mutual fund switch.

LG's mutual fund switch transactions presented multiple red flags, such as:

- The majority of LG's mutual fund switch transactions were marked unsolicited;
- The average holding period for LG's mutual fund switches was approximately five months;
- The majority of LG's mutual fund switches were placed into Class A shares; and
- For switch transactions marked "solicited," the Firm required the submission of a switch disclosure form that described the reason for the mutual fund switch. However, LG's switch disclosure forms for these transactions did not contain an adequate basis or reason for the transaction.

For example, on December 15, 2009, LG recommended that an elderly customer, GP, sell certain Class A mutual fund shares for approximately \$19,000. The same day, LG effected a second sale of Class A mutual fund shares in GP's account for approximately \$18,000. The next day, LG effected GP's purchase of Class A shares of another mutual fund in a different fund family using the proceeds from the foregoing sales. LG earned \$1,877 in gross commissions from the transactions. In addition, GP paid \$50 in fees in connection with these transactions. On April 23, 2010, less than five months later, LG effected the sale of the mutual fund shares that GP purchased on December 16, 2009 for a loss of \$2,376.

However, Mannings failed to take reasonable steps to follow up adequately on these red flags. For example, he did not advise LG to make different recommendations to his customers and he did not make adequate attempts to contact LG's customers regarding the mutual fund switch transactions. Nor did Mannings make adequate inquiries about LG's relevant transactions. Rather, Mannings approved all of LG's mutual fund switch transactions during the Relevant Period.

By failing to reasonably supervise LG, Mannings violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

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

- a 60-day suspension from association with any FINRA member firm in any principal capacity; and
- a \$6,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

I understand that this settlement includes a finding that I failed to supervise an individual who violated Section 10(b) or the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

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

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 prejudgment 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: (i) testimonial obligations; or (ii) 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.

12/16/2013
Date (mm/dd/yyyy)

Herman Mannings
Herman Mannings, Respondent

By: _____

Reviewed by:

Ali Sabetghadam
Name: Ali Sabetghadam
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J.P. Turner & Company, L.L.C.
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Accepted by FINRA:

12/17/2013
Date

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

Susan Light /wm
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