

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Darrah Lee Gleason
(CRD No. 2442684),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011026395801

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Darrah Lee Gleason served as the registered representative for customer SW since 1996. For most of that time, SW engaged independent investment advisors to manage her assets.

2. In March 2007, Gleason recommended an independent investment advisor to SW. Gleason's member firm at the time, Citigroup Global Markets, Inc., had written policies and procedures that prohibited its employees from soliciting for or recommending independent investment advisors without the firm's approval. Gleason recommended the advisor to SW without the firm's knowledge or approval, as required by the policies and procedures. In doing so, Gleason violated NASD Rule 2110.

3. In addition, Gleason sold SW's investments at the firm so that the proceeds could be transferred to an account managed by the independent investment advisor. Although SW approved the overall plan to sell her investments, for at least 10 sell orders during the period of

November 2007 to May 2009, Gleason did not have express authorization from SW for the specific trades. Accordingly, Gleason engaged in discretionary trading in SW's account without prior written authorization from SW or the approval of the firm, in violation of NASD Rule 2510(b), NASD Rule 2110 for the period prior to December 15, 2008, and FINRA Rule 2010 for the period thereafter.

RESPONDENT AND JURISDICTION

4. Gleason entered the securities industry in 1993. In December 1993, she became employed at the Greenwich, Connecticut branch office of Salomon Smith Barney Inc., which later became Citigroup. She became a General Securities Representative with the firm in February 1994 and later moved to a branch office in New York City. In June 2009, as a result of Citigroup's joint venture with Morgan Stanley Smith Barney LLC, Gleason became a General Securities Representative with Morgan Stanley.

5. On September 8, 2010, Morgan Stanley filed a Form U-5 ("Uniform Termination Notice for Securities Industry Registration"), which disclosed that Gleason had terminated her employment voluntarily on August 9, 2010. Gleason has not been registered or associated with another firm since that time.

6. Although Gleason is no longer registered or associated with a FINRA member, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the Complaint was filed within two years after the effective date of termination of her registration with Morgan Stanley, namely September 8, 2010 and (2) the Complaint charges her with misconduct committed while she was registered with a FINRA member.

BACKGROUND

7. Gleason first became SW's broker in 1996, when SW's initial independent investment advisor opened an account for her at Citigroup. During the period that Gleason served as her registered representative, SW had other independent investment advisors that managed her investments.

8. In early 2007, SW sought recommendations from Gleason for a new independent investment advisor. In March 2007, Gleason introduced her to the chairman and chief executive officer of investment advisor BCM. Following the introduction by Gleason, SW retained the services of BCM as an investment advisor in April 2007.

9. Gleason sold SW's investments at Citigroup over a two-year period starting in May 2007. Gleason entered the sell orders for these sales, which produced proceeds in the amount of approximately \$13.5 million. From May 2007 to December 2009, the proceeds from these sales were transferred to BCM.

10. SW approved the general strategy to sell her investments at Citigroup and transfer her money to BCM.

11. Gleason, however, did not have express instructions from SW for many of the specific sales that Gleason entered from May 2007 to May 2009. For at least 10 sell orders on six dates during that period, which totalled approximately \$3.1 million, Gleason did not receive a sell order from SW.

12. Regardless of whether SW had a written agreement with BCM granting BCM discretionary authority, that agreement did not cover Gleason or Citigroup. Gleason did not have

authorization to engage in discretionary trading in SW's account. No discretionary authority or third-party discretionary authority was granted by Citigroup.

13. By early 2009, Gleason started to discuss the possibility of future employment with BCM. During the period of January 2009 to May 2009, Gleason continued to sell SW's investments at Citigroup without express authorization from SW for the specific trades at the same time that she was discussing the possibility of future employment with BCM.

14. As discussed above, Gleason failed to disclose to Citigroup that she had referred BCM to SW and that discretion was being exercised in SW's account at BCM's direction. Furthermore, she did not disclose to Citigroup that she was seeking employment at BCM while she was acting pursuant to the instructions of BCM. As such, Citigroup was not able to fully supervise Gleason in her role as SW's broker.

FIRST CAUSE OF ACTION

Respondent Recommended an Independent Investment Advisor without Firm Approval, in Violation of Firm Policies and Procedures (NASD Rule 2110)

15. The Department realleges and incorporates by reference paragraphs 1 to 14 above.

16. NASD Rule 2110 requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade."

17. During the relevant time discussed herein, Citigroup offered its own platform of asset management and advisory services to its customers. The investment advisors on this platform were pre-approved by the firm. Citigroup's written policies and procedures prohibited its employees from soliciting for or recommending independent investment advisors without the firm's prior approval.

18. Gleason neither sought nor received approval from Citigroup to recommend BCM to SW, in violation of the firm's written policies and procedures.

19. In recommending BCM to SW without the prior approval of the firm, Gleason violated NASD Rule 2110.

SECOND CAUSE OF ACTION

Engaged in Discretionary Trading without Written Authorization from the Customer or the Approval of Her Firm (NASD Rules 2510(b) and 2110 and FINRA Rule 2010)

20. The Department realleges and incorporates by reference paragraphs 1 to 19 above.

21. NASD Rule 2510(b) provides that "[n]o member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing . . ."

22. While SW had authorized BCM to exercise discretionary authority in managing her investments, this authorization was between SW and BCM. SW did not give written authorization to Gleason to engage in discretionary trading in her account. At the time that Gleason entered the sell orders, Gleason had not even seen the written authorization between SW and BCM.

23. No copy of BCM's written authorization to exercise discretionary authority on behalf of SW was provided to Citigroup, and no discretionary authority was granted to Gleason by SW. As such, Citigroup never reviewed or, more importantly, approved the exercise of discretionary authority or third-party discretionary authority in SW's account.

24. Accordingly, Gleason did not have written authorization from SW or the approval of her firm to engage in discretionary trading in SW's account. In entering the trades, Gleason

violated NASD Rule 2510(b), NASD Rule 2110 for the period prior to December 15, 2008, and FINRA Rule 2010 for the period thereafter.

RELIEF REQUESTED

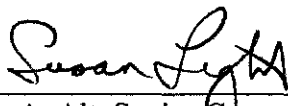
WHEREFORE, the Department respectfully requests that the Panel:

- 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 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:

September 6, 2012



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