

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

Department of Enforcement,

Complainant,

v.

Darrah Lee Gleason,  
CRD No. 2442684,

Respondent.

Disciplinary Proceeding  
No. 2011026395801

Hearing Officer – RLP

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: April 2, 2013

**INTRODUCTION**

Disciplinary Proceeding No. 2011026395801 was filed on September 6, 2012 (Complaint), by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Darrah Lee Gleason (Respondent or Gleason) submitted an Offer of Settlement (Offer) to Complainant dated March 21, 2013. 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 Second Amended Complaint filed on March 4, 2013, 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 Second Amended 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**

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 Global Markets, Inc. 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.

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.

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 the Complaint charged her with misconduct committed while she was registered with a FINRA member.

Gleason has not been subject to any disciplinary action in the past five years.

## **FINDINGS AND CONCLUSIONS**

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

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.

In March 2007, Gleason recommended an independent investment advisor to SW. Gleason's member firm at the time, Citigroup, 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.

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 10 sell orders during the period of November 2007 to May 2009, Gleason did not have express authorization from SW for the specific trades but instead took instructions from the investment advisor. Accordingly, Gleason engaged in discretionary trading in SW's account without prior written authorization from SW to exercise discretion or to take third-party instructions and without 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.

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 who managed her investments.

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. SW executed a Discretionary Investment Management Agreement authorizing BCM to purchase or sell securities on SW's behalf but that agreement did not cover Gleason or Citigroup, nor was it provided to Gleason or Citigroup.

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.

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

Gleason, however, did not have express instructions from SW for many of the specific sales that Gleason entered from May 2007 to May 2009 and instead accepted trade instructions from BCM. For 10 sell orders on six dates during that period, which totaled approximately \$3.1 million, Gleason did not receive a sell order from SW. (For a list of the specific sell orders, see the attached Appendix A.)

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

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.

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.

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

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.

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

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

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 ....”

Before each of the ten trades identified in Appendix A, Gleason received same day trade instructions from BCM. 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, nor did SW give written authorization to Gleason to take orders from BCM. At the time that Gleason entered the sell orders, Gleason had not even seen the written authorization between SW and BCM.

No copy of BCM’s written authorization to exercise discretionary authority on behalf of SW was provided to Citigroup, and no discretionary authority or third-party 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.

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.

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 fined \$5,000 and suspended from association with any FINRA member firm in all capacities for one month.

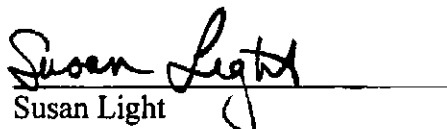
The fine shall be due and payable either immediately upon reassociation with a member firm following the one-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The 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 cursive script, appearing to read "Susan Light", is written over a horizontal line.

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*DEPARTMENT OF ENFORCEMENT v. DARRAH LEE GLEASON*  
DISCIPLINARY PROCEEDING NO. 2011026395801

Appendix A

| Discretionary Trades Referenced in Paragraph 11 of the Amended Complaint |          |          |             |               |
|--------------------------------------------------------------------------|----------|----------|-------------|---------------|
| Trade Date                                                               | Security | Quantity | Price       | Total         |
| 11/07/07                                                                 | ABC      | 10,000   | \$ 59.86050 | \$ 598,605.00 |
| 11/07/07                                                                 | DEF      | 14,800   | \$ 36.50380 | \$ 540,256.24 |
| 11/07/07                                                                 | GHI      | 15,000   | \$ 19.29600 | \$ 289,440.00 |
| 03/14/08                                                                 | JKL      | 20,400   | \$ 19.12400 | \$ 390,129.60 |
| 01/22/09                                                                 | MNO      | 20,000   | \$ 9.10200  | \$ 182,040.00 |
| 01/22/09                                                                 | MNO      | 10,000   | \$ 9.50950  | \$ 95,095.00  |
| 01/22/09                                                                 | PQR      | 10,000   | \$ 38.32260 | \$ 383,226.00 |
| 01/26/09                                                                 | MNO      | 10,000   | \$ 9.39000  | \$ 93,900.00  |
| 02/24/09                                                                 | STU      | 16,000   | \$ 2.42000  | \$ 38,720.00  |
| 05/06/09                                                                 | WYX      | 15,000   | \$ 37.08650 | \$ 556,297.50 |