

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

Department of Enforcement,

Complainant,

v.

Glen William Albanese (CRD No. 2662411),

Respondent.

Disciplinary Proceeding
No. 2011026992101

Hearing Officer: Anne W. Larkin

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 26, 2012

INTRODUCTION

Disciplinary Proceeding No. 2011026992101 was filed on September 27, 2012, by the Department of Enforcement ("Enforcement") of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent, Glen William Albanese ("Respondent"), submitted an Offer of Settlement ("Offer") to Complainant dated November 13, 2012. 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 Complaint, 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 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

Respondent was registered with Needham & Company, LLC ("Firm"), from April 1997 until his termination on February 25, 2011. While employed in the securities industry, Respondent obtained the following securities licenses: Series 7 (April 23, 1997), 63 (October 20, 1997), 24 (October 27, 1998), and 27 (December 3, 1998). Although Respondent is no longer registered or associated with a FINRA-member firm, 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 a FINRA-member firm, namely, March 24, 2011, (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA-member firm, and (3) the Complaint charges him with failing to respond to Enforcement's requests for information and documents during the two-year period after the date upon which he ceased to be registered or associated with a FINRA-member firm.

FINDINGS AND CONCLUSIONS

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

Summary

From 2006 to 2010 (the "relevant period"), while serving as the Firm's Chief Financial Officer and Financial Operations Principal, Respondent misused and converted approximately \$400,000 belonging to the Firm in violation of NASD Rule 2110 and FINRA Rule 2010. Respondent converted funds belonging to his employer by knowingly (i) approving payments to

certain vendors for products and/or services that were never rendered to the Firm; (ii) approving duplicative payments to certain vendors for products and/or services; (iii) approving payments to certain vendors for unnecessary products; and (iv) causing the Firm to pay for a non-business-related expense.

Respondent also altered and falsified information contained in a spreadsheet comprised of vendor payments in a manner that was inconsistent with the truth and in violation of FINRA Rule 2010. By creating false records regarding Firm expenses, Respondent violated NASD Rule 3110 and FINRA Rule 2010 by causing the Firm to maintain inaccurate books and records.

In addition, Respondent failed to respond to Enforcement's initial and subsequent Rule 8210 requests for information and documents in violation of FINRA Rules 8210 and 2010.

Conversion of Firm Funds

In 2000, Respondent became the Firm's Chief Financial Officer and Financial Operations Principal. As part of his duties as the Firm's Chief Financial Officer, Respondent was responsible for, among other things, the approval of payment for vendor invoices.

During the relevant period, the Firm had written procedures in place for submitting and approving vendor invoices. First, invoices were date-stamped upon receipt and forwarded to an associate in the accounts payable department for entry and coding in the accounts payable system. After initial coding, invoices were reviewed and either returned to an associate for corrections or forwarded to the Firm's Controller. Once invoices were reviewed by the Firm's Controller, invoices were either posted to the system or returned for corrections. Invoices posted to the system were then forwarded for manager-level approval. Once approved, invoices were forwarded to the Firm's Chief Financial Officer for final approval.

Respondent did not comply with these procedures for certain vendors, specifically, a printing services vendor, an information technology services vendor, and a ticket broker. Instead, Respondent bypassed the accounts payable department by having the vendors send their invoices directly to him for his approval.

The printing services vendor used by the Firm was purportedly located in the State of New York. ES was a principal of the company. During the relevant period, Respondent caused the Firm to pay approximately \$28,700 to the printing services vendor for unnecessary blank paper products and approximately \$67,900 in overpayments (*i.e.*, multiple payments for the same products), for a total amount of approximately \$96,600.

The information technology services vendor used by the Firm was purportedly located in the State of New Jersey. VS is the Chairman, Chief Executive Officer, and President of the company. Respondent and VS have been friends and neighbors since at least 2002. VS's personal residence in New Jersey, which also serves as the information technology services vendor's office address, is located on the same street as Respondent's personal residence. In addition, Respondent and VS's children have attended the same school. During the relevant period, Respondent caused the Firm to pay almost \$300,000 to the information technology services vendor for products and/or services that were never rendered to the Firm.

The ticket broker is a vendor used by the Firm for concerts, sporting events, and other live entertainment. In December 2009, Respondent caused the Firm to pay \$2,600 as a business expense to the ticket broker for four tickets to a 2009 World Series game. Respondent approved the ticket broker invoice. Respondent wrote on the ticket broker's invoice that he attended the World Series game with three other individuals. He wrote that the following persons attended

the game with him: "Joe P – JP Morgan, Bruce B – OLI, and [ES] – S&R."¹ Respondent's attendance at the World Series game with the individuals listed on the invoice was not a legitimate business expense.

NASD Rule 2110 and FINRA Rule 2010 require members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade."² By converting funds belonging to his employer (i) for the benefit of certain vendors who were paid for products and/or services that were never rendered to the Firm or who were overpaid for products and/or services rendered, and (ii) for his own benefit when he caused the Firm to pay for a non-business related expense, Respondent violated NASD Rule 2110 for the misconduct that occurred before December 15, 2008, and FINRA Rule 2010 for the misconduct that occurred on or after December 15, 2008.

Falsification of a Firm Document

Sometime in January or February 2011, the Firm's Controller prepared, at the request of the Firm's Chief Executive Officer ("CEO"), a spreadsheet of payments to vendors who provided recruiting and consulting services to the Firm for the period 2006 through 2010. Respondent instructed the Controller to reduce the annual amounts paid by the Firm to a staffing services company. Respondent provided new annual amounts to the Controller, who subsequently changed the spreadsheet as directed by Respondent. The altered spreadsheet, which was provided to the Firm's CEO, reflected drastically reduced annual amounts paid to the

¹ J.P. Morgan was the Firm's clearing agent. OLI referred to the Firm's office furniture vendor. S&R was the Firm's printing services vendor.

² On December 15, 2008, the first phase of the new consolidated FINRA Rules went into effect. *See* Regulatory Notice 08-57 (Oct. 2008). In the rules consolidation, NASD Rule 2110 was re-numbered to FINRA Rule 2010. The conduct rules set forth in the Complaint refer to the rules that were in effect at the time of the conduct at issue.

staffing services company. In total, Respondent instructed the Controller to reduce the annual amounts paid by the Firm to the staffing services company by \$950,850.

Respondent further altered the spreadsheet by deleting an information technology services vendor entirely from the spreadsheet provided to the Firm's CEO. The original spreadsheet prepared by the Controller showed the information technology services vendor as having received \$85,000 in total for consulting and recruiting services between 2007 and 2010. The altered spreadsheet, however, did not include the information technology services vendor or any of the payments that were made to the information technology services vendor.

By altering and falsifying information provided to the Firm's CEO in a manner inconsistent with the truth, Respondent violated FINRA Rule 2010.

Causing the Firm to Maintain Inaccurate Books and Records

NASD Rule 3110 requires member firms to "make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule 17a-3." SEC Rule 17a-3, promulgated under Section 17(a) of the Securities Exchange Act of 1934, sets forth the records that are required to be maintained by member firms. Records reflecting the Firm's assets and liabilities, income and expense and capital accounts are required to be maintained by the Firm pursuant to Rule 17a-3(a)(2).

By creating false records concerning Firm vendor expenses and causing the Firm to pay for a non-business expense, Respondent violated NASD Rule 3110 and FINRA Rule 2010 by causing the Firm to maintain inaccurate books and records.

**Failure to Respond to Rule 8210
Requests for Information and Documents**

Enforcement issued two requests for information and documents pursuant to FINRA Rule 8210 to Respondent as part of its investigation. The first request for information and documents, dated January 18, 2012, was sent by U.S. First-Class mail and certified mail, return-receipt requested, to Respondent at his last known residential address listed in CRD ("CRD Address"). The U.S. First-Class copy was not returned to FINRA. The certified mail copy was returned to FINRA as "unclaimed." Respondent failed to respond to the January 18, 2012 request for information and documents.

The second request for the same information and documents, dated February 9, 2012, was sent via U.S. First Class mail and certified mail, return-receipt requested, to Respondent's CRD Address. The U.S. First-Class copy was not returned to FINRA. The certified mail copy was again returned to FINRA as "unclaimed." Respondent also failed to respond to Enforcement's second request for information and documents.

FINRA Rule 8210(a)(1) provides that FINRA may "require a member, person associated with a member, or person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in the investigation" Respondent has failed to cooperate with Enforcement and has not complied with Enforcement's requests for information and documents made pursuant to FINRA Rule 8210. By failing to respond to Enforcement's requests for information and documents, Respondent violated FINRA Rules 8210 and 2010.

Based on these considerations, the sanction hereby imposed by the acceptance of the Offer is in the public interest, is sufficiently remedial to deter Respondent from any future

misconduct, and represents a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

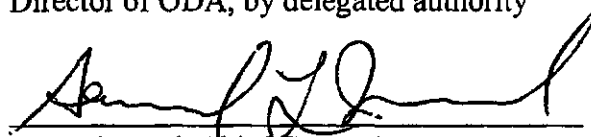
SANCTION

It is ordered that Respondent be barred from associating with any FINRA-member firm in any capacity. The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

**FINANCIAL INDUSTRY REGULATORY
AUTHORITY**

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

A handwritten signature in black ink, appearing to read 'Samuel Israel', is written over a horizontal line.

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