

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

EILEEN BETH APPELBLATT
(CRD No. 3276058),

Respondent.

Disciplinary Proceeding
No. 2011027186401

Hearing Officer – RLP

DEFAULT DECISION

February 21, 2013

For (i) falsifying wire transfer documentation and, in so doing, (ii) causing her firm's books and records to be inaccurate, Respondent is suspended in all capacities for 60 days and fined \$10,000.

Appearances

Christopher A. Perrin, Esq., and Michael J. Rogal, Esq., Rockville, MD, for the Department of Enforcement.

No appearance by or for Respondent.

DECISION

I. Introduction

FINRA's Department of Enforcement ("Enforcement") commenced the investigation that led to the filing of a complaint against Eileen Beth Appelblatt after Appelblatt's employer, FINRA member Goldman Sachs, filed a Uniform Termination Notice for Securities Industry Registration (Form U5) notifying FINRA that Appelblatt had been discharged in March 2011 on allegations that she had provided inaccurate information in a request for wire transfers. As a result of the investigation, Enforcement initiated this proceeding on August 22, 2012.¹

¹ Declaration of Michael Rogal ("Rogal Decl.") ¶ 12; Complainant's Exhibit ("CX")-1, at 3, 8.

In its complaint, Enforcement pleads two causes of action. First, the complaint charges that Appelblatt violated FINRA Rule 2010 by falsifying wire transfer documentation. Second, the complaint charges that Appelblatt's falsification caused Goldman Sachs to preserve and maintain false books and records in violation of NASD Rule 3110 and FINRA Rule 2010.² Appelblatt did not answer or otherwise respond to the complaint. Consequently, on January 15, 2013, Enforcement filed a motion for entry of a default decision and imposition of sanctions, together with the declaration of Michael Rogal and nine exhibits. Appelblatt did not respond to the motion.³

For the reasons set forth below, the Hearing Officer concludes that FINRA has jurisdiction over this disciplinary proceeding and that Appelblatt has defaulted by failing to answer the complaint. The Hearing Officer further concludes that the facts set out in the complaint and materials supporting Enforcement's motion adequately establish the violations as charged and that it is appropriate to impose a 60-day suspension and a \$10,000 fine for those violations.

II. Jurisdiction

Appelblatt began her career in the securities industry in February 1980, when she joined Goldman Sachs. From July 2001 until March 2011, she was registered through the firm as a general securities representative and, for the last three years of her employment, she held the title of Vice President, Wealth Management Professional. Goldman Sachs discharged Appelblatt on

² In 2007, NASD consolidated with the member regulation function of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority ("FINRA"). FINRA began formulating a consolidated rulebook and, as part of that process, NASD Conduct Rule 3110(a) was superseded by FINRA Rule 4511 in December 2011. This decision refers to the conduct rules that were in effect at the time of Respondent's misconduct. These rules are available at www.finra.org/Industry/Regulation/FINRARules.

³ Given that Appelblatt is in default as detailed below, the factual determinations in this decision are based on the allegations in the attached complaint, which are deemed admitted, as well as the Rogal Declaration and attached exhibits.

March 8, 2011, and terminated her registration on April 6, 2011. Since then, Appelblatt has not been associated with any FINRA member firm.⁴

Although Appelblatt is not currently associated with a FINRA member firm, FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the complaint (1) was filed within two years after the termination of her registration with Goldman Sachs and (2) charges her with misconduct that occurred before that termination.⁵

III. Respondent's Default

In November 2012, Enforcement determined that the August 2012 complaint and notice of complaint commencing this action, as well as a second notice of complaint and complaint sent in September, were served by mailings containing a typographical error in Appelblatt's residential address as reflected in the Central Registration Depository ("CRD address"). Therefore, on November 15, 2012, Enforcement re-served the complaint and the notice of the complaint by, among other means, certified mail correctly addressed to Appelblatt's CRD address. As reflected by the return receipt, the certified mailing was delivered to Appelblatt's CRD address and signed for by "Stephen Appelblatt" on November 17, 2012.⁶

After Appelblatt failed to respond, Enforcement sent a second notice of complaint, along with the complaint, to Appelblatt's CRD address, by among other means, overnight courier. The courier's proof-of-delivery details reflect that the materials were delivered to Appelblatt's CRD address on December 17, 2012. Appelblatt did not respond to this second notice, and to date, she

⁴ Complaint ¶¶ 2-3; Rogal Decl. ¶¶ 4-5; CX-1, at 3.

⁵ See Article V, Sec. 4(a), FINRA By-Laws, *available at* www.finra.org/Industry/Regulation/FINRARules/ (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

⁶ Rogal Decl. ¶¶ 6-8; CX-2, CX-4; *see* Enforcement's Motion for Extension of Time to File Motion for Entry of a Default Decision and Imposition of Sanctions ¶¶ 3-6.

has not filed an answer with the Office of Hearing Officers or otherwise responded to the complaint.⁷

Appelblatt received constructive notice of this proceeding and, therefore, the Hearing Officer finds that she defaulted by failing to answer the complaint.⁸

IV. Findings of Fact and Conclusions of Law

A. Findings of Fact

As of March 2011, Appelblatt worked at Goldman Sachs' New York City branch as a registered sales assistant working with a team of brokers. Her duties included processing financial transactions—including wire transfers. On March 2, 2011, Appelblatt received an email, sent from a customer's email account, requesting wire transfers of \$72,000 and \$68,000 from the customer's account to third-party bank accounts at two Australian banks. The email stated in part:

Hi Eileen, I loss my little sister this morning and am on my way to the mortuary, would like you to email me the cash available balance in all accounts and let me know if you are available to assist in sending out an international wire transfer to Bank in Australia, let me know what information you will need to email them to you, please advise

Unaware that the email was sent by an imposter, Appelblatt replied, expressing her condolences, providing the balance in an account the customer held jointly with his wife, and asking for the information necessary to process the transfers. Shortly thereafter, the imposter

⁷ Rogal Decl. ¶¶ 9-10; CX-6.

⁸ See FINRA Rule 9134; *Dep't of Enforcement v. Moore*, 2012 FINRA Discip. LEXIS 45, at *19-21 (N.A.C. July 26, 2012) (respondent had constructive notice of complaint mailed to his CRD address); see also Notice to Members 99-77, available at www.finra.org/Industry/Regulation/Notices/1999/P004087.

provided Appelblatt with wire transfer instructions and exchanged emails with Appelblatt about those instructions.⁹

Later that day, Appelblatt emailed the imposter—who she still thought was the customer—stating that she was going to process the transfers. She added that, because the funds were coming from a joint account, she would need both the customer’s signature and that of his wife on a letter of authorization, which could be provided after the transfers were completed. Still later, Appelblatt directed another email to the customer’s email account, stating that “[p]ayments going out now, if you could follow up with a letter signed by both of you.” The imposter replied, expressing thanks for Appelblatt’s assistance, asking whether “we can . . . sign the paper work on friday? because we are still at the mortuary and will be busy until friday morning,” and seeking confirmation that the wires had been sent.¹⁰

To process the wire transfers without first obtaining a signed letter of authorization from the account holders, Appelblatt was required to submit an electronic exception request to her supervisor. In that document, Appelblatt represented that she had spoken with the customer to confirm the wire request by: (a) selecting “GS Employee Call Out,” as the type of verbal confirmation employed, (b) entering a specific phone number, and (c) recording the date and time of the call as “March 2, 2011 at 2:45 p.m.” By selecting “Voice Recognition” as the type of verification employed, she also represented that she recognized the customer’s voice during the call. Given that she had not called the customer, these representations were false.¹¹

Appelblatt also misrepresented what she knew about the basis for the exception request and the identity of the persons who would receive the wired funds. On the exception request, in

⁹ Complaint ¶¶ 4-7.

¹⁰ Complaint ¶¶ 7-8.

¹¹ Complaint ¶¶ 9-11.

describing the “[r]eason why transaction cannot wait for receipt of LOA,” Appelblatt wrote “death of [customer’s] sister and urgent request for burial arrangements and to get relatives there. I have an e-mail from [customer] just need [customer’s wife] to respond and need a letter.” But nothing in any of the imposter’s emails referred to “burial arrangements” or a “need to get relatives there” as reasons for the wire transfer requests. Appelblatt also identified the recipients of the transfers as “relatives” of the customer. Nothing in any of the imposter’s emails stated that the wire transfer recipients were related to the customer.¹²

After Appelblatt submitted the exception request, the wire transfers were processed, and a total of \$140,000 was wired out of the customer’s account. Thereafter, the imposter’s fraud was discovered and Goldman Sachs recovered approximately \$120,000 of the total \$140,000. The firm reimbursed the customer’s remaining approximately \$20,000 loss.¹³

B. Conclusions of Law

1. Falsification of Wire Transfer Documentation

The complaint’s first cause of action charges that Appelblatt’s falsification of the wire transfer documentation violated FINRA Rule 2010.

Rule 2010 states that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”¹⁴ Rule 2010 thus articulates a “broad ethical principle,” rather than prohibiting specific acts.¹⁵ Indeed, a violation of Rule 2010 does not depend on whether the registered representative has committed a legally

¹² Complaint ¶¶ 12-13.

¹³ Complaint ¶¶ 14-15.

¹⁴ Rule 2010 applies to Appelblatt through Rule 0140, which provides that persons associated with a FINRA member have the same duties and obligations as the member.

¹⁵ *Dep’t of Enforcement v. Shvarts*, No. CAF980029, 2000 NASD Discip. LEXIS 6, at *11 (N.A.C. June 2, 2000) (quoting *Timothy L. Burkes*, Exchange Act Rel. No. 32142, 51 S.E.C. 356 (1993), *aff’d mem.*, *Burkes v. SEC*, 29 F.3d 630 (9th Cir. 1994)).

cognizable wrong,¹⁶ and so long as the challenged activity occurs “in the conduct of” a representative’s business and violates high standards of commercial honor, the representative may run afoul of Rule 2010 even if a security is not involved.¹⁷

It is well established that falsifying firm documents is inconsistent with the Rule’s exacting ethical standards.¹⁸ Therefore, based on the foregoing facts, the Hearing Officer finds that Appelblatt violated Rule 2010.

B. Causing a Firm to Maintain False Records

The complaint’s second cause of action alleges that Appelblatt’s falsification of the exception report violated NASD Conduct Rule 3110 and FINRA Rule 2010 in that it caused Goldman Sachs to contravene its obligation to keep accurate records relating to its business.

NASD Conduct Rule 3110(a) required, at all times pertinent to this proceeding, that each member “make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, [and] regulations,” including SEC Rule 17a-3 and 17a-4. SEC Rule 17a-4(b)(4), in turn, requires broker-dealers to maintain, among other things, “[o]riginals of all communications received and copies of communications sent . . . [by such] broker or dealer (including inter-office memoranda and communications) relating to its business

¹⁶ *E.g., id.; Dep’t of Enforcement v. DiFrancesco*, No. 2007009848801, 2009 FINRA Discip. LEXIS 45, at *8 (O.H.O. Dec. 1, 2009).

¹⁷ *DiFrancesco*, 2009 FINRA Discip. LEXIS 45, at *8 (citing *Dep’t of Enforcement v. Foran*, No. C8A990017, 2000 NASD Discip. LEXIS 8, at *12-14 (N.A.C. Sept. 1, 2000)); *Shvarts*, 2000 NASD Discip. LEXIS 6, at *16-17 (noting that predecessor Rule 2110 was “not limited to securities-related conduct; instead, it covers all unethical business-related conduct”). Appelblatt’s misconduct was undertaken in the course of her business relationship with her employer and, therefore, is within the ambit of Rule 2010. *See, e.g., Foran*, 2000 NASD Discip. LEXIS 8, at *13.

¹⁸ *E.g., Charles E. Kautz*, Exchange Act Rel. No. 37072, 52 S.E.C. 730, 732-733 (1996) (holding that Kautz violated ethical standards now set out in Rule 2010 by causing sales representatives under his supervision to falsely list their names as the selling agents for sales of variable annuities that were in fact sold by Kautz); *Dep’t of Enforcement v. Hunt*, No. 2009018068701, 2012 FINRA Discip. LEXIS 62, at *11 (N.A.C. Dec. 18, 2012) (falsifying expense reports violated Rule 2010); *Dep’t of Enforcement v. Black*, No. CAF040084, 2005 NASD Discip. LEXIS 22, at *17 (O.H.O. Dec. 21, 2005) (respondent violated Rule 2010’s predecessor by falsifying firm records when he revised notes of conversation with customer after receiving arbitration claim).

as such.” 17 C.F.R. § 240.17a-4(b)(4). The requirement that records be kept embodies the requirement that they be accurate.¹⁹ It has been consistently held that a registered representative who enters inaccurate information in a member firm’s books or records violates NASD Conduct Rule 3110.²⁰ Such conduct also violates Rule 2010’s requirement that registered persons act in accordance with high standards of commercial honor.²¹

Appelblatt’s exception report was an inter-office memorandum relating to Goldman Sachs’ business. When she falsified the report and directed it to her supervisor, she caused the firm to preserve false records in contravention of its obligations under SEC Rule 17a-4(b) and, in so doing, she violated NASD Conduct Rule 3110(a) and FINRA Rule 2010.

V. Sanctions

Because Appelblatt’s violations “stem[med] from a single source,” which was her falsification of the exception report, it is appropriate to impose a single, unitary sanction.²² Although Enforcement cites the FINRA Sanction Guidelines for both recordkeeping violations and falsification of records, the Hearing Officer concludes that the guideline for falsification of records is the appropriate guideline for determining sanctions in this proceeding.

The guideline for falsifying documents recommends fines in the range of \$5,000 to \$100,000 and directs adjudicators to consider suspensions in cases where mitigating factors exist

¹⁹ *Fox & Co. Inv., Inc.*, Exchange Act Rel. No. 52697, 2005 SEC LEXIS 2822, at *30 (Oct. 28, 2005).

²⁰ E.g., *Dep’t of Enforcement v. Nouchi*, No. E102004083705, 2009 FINRA Discip. LEXIS 8, at *6-7 (N.A.C. Aug. 7, 2009); *Dep’t of Enforcement v. Correro*, No. E102004083702, 2008 FINRA Discip. LEXIS 29, at *13-16 (N.A.C. Aug. 12, 2008); *Dep’t of Enforcement v. McKinnis*, No. 2007010398802, 2011 FINRA Discip. LEXIS 53, at *16-17 (O.H.O. Oct. 13, 2011).

At all times pertinent to this proceeding, NASD Conduct Rule 3110 applied, through FINRA Rule 0140, to all persons associated with members.

²¹ This holds true both because falsifying documents is a serious breach of Rule 2010’s ethical standards and because a violation of other rules constitutes a violation of Rule 2010. *Correro*, 2008 FINRA Discip. LEXIS 29, at *15-16 (quoting *Stephen J. Gluckman*, Exchange Act Rel. No. 41628, 54 S.E.C. 175, 185 (1999)).

²² *Dep’t of Enforcement v. Braff*, No. 2007011937001, 2011 FINRA Discip. LEXIS 15, at *25 (N.A.C. May 13, 2011), *aff’d*, *Howard Braff*, Exchange Act Rel. No. 66467, 2012 SEC LEXIS 620 (Feb. 24, 2012).

and bars in egregious cases.²³ Principal considerations include the nature of the documents falsified and whether the respondent had a good-faith, but mistaken, belief of express or implied authority.²⁴ The Hearing Officer concludes that this is a serious, but not egregious, case and therefore assesses a suspension and fine at the lower end of the suggested ranges.

The case is serious. The document Appelblatt falsified facilitated the unauthorized transfers of \$140,000 of customer funds from a firm account to banks outside the United States. Although Appelblatt may have believed that the customer had authorized the transfers, she could not have believed that she had a license to misrepresent the circumstances surrounding that authorization. And she made four such misrepresentations in the exception request—concerning her call to the customer, her verification of the customer’s voice, the identity of the transfer recipients, and the basis for the transfers. She made these misrepresentations in an attempt to bypass her firm’s requirements for documenting the transfers and, in so doing, evade appropriate supervision of the transaction. Finally, she has failed to take responsibility for her misconduct and, instead, has attempted to shift the blame to others at the firm.²⁵

On the other hand, this is not an egregious case. Appelblatt did not benefit financially from her misconduct. Moreover, and most importantly, she believed that her customer had authorized the transfers and it can be inferred that her actions were motivated in part by sympathy for a customer whose family member—she believed—had died.

Accordingly, the Hearing Officer will impose the relatively modest sanctions requested by Enforcement: a 60-day suspension and a \$10,000 fine. These sanctions should be adequate to

²³ *FINRA Sanction Guidelines* 37 (2011).

²⁴ *Id.*

²⁵ *See* CX-9, at 3-4.

impress upon Appelblatt and others the importance of due care and candor in processing customer transactions.²⁶

VI. Order

For (i) falsifying wire transfer documentation and, in so doing, (ii) causing her firm's books and records to be inaccurate, Respondent is suspended in all capacities for 60 days and fined \$10,000. If this decision becomes FINRA's final disciplinary action, Respondent's suspension in all capacities shall commence at the opening of business on April 1, 2013, and conclude at the close of business on May 30, 2013. The fine shall be payable upon Respondent's return to the securities industry.


Rada Lynn Potts
Hearing Officer

Copies to:

Eileen Beth Appelblatt (*via overnight courier and first-class mail*)
Christopher A. Perrin, Esq. (*via electronic mail*)
Michael J. Rogal, Esq. (*via electronic mail and first-class mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

²⁶ Because Goldman Sachs reimbursed the customer's losses, Enforcement does not seek, and the Hearing Officer does not award, restitution.

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

**DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,**

v.

**EILEEN BETH APPELBLATT
(CRD No. 3276058),**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2011027186401**

HEARING OFFICER—_____

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In March 2011, Eileen Appelblatt, then a registered representative at Goldman Sachs & Co., processed two wire transfer requests based on what she thought were a customer's email instructions requesting that funds be sent to third party bank accounts at two banks in Australia. In actuality, the email request was from an imposter. In order to process the wire transfers, Appelblatt submitted an Exception Request to her supervisor that falsely represented that she had confirmed the wire transfer instructions by speaking with the customer and had verified the identity of the customer by voice recognition. Appelblatt thus falsified the Exception Report, and she also caused Goldman Sachs' books and records to be inaccurate by doing so.

RESPONDENT EILEEN APPELBLATT AND JURISDICTION

2. Eileen Appelblatt, CRD No. 3276058, was associated with Goldman Sachs from February 1980 until March 2011, when she was terminated. From July 2001 until March 2011, Appelblatt was associated with the firm as a General Securities Representative. From approximately March 2008 until March 2011, Appelblatt held the title of Vice President, Wealth Management Professional. Appelblatt is not currently associated with a FINRA member.

3. Although Respondent 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 (1) this Complaint was filed within two years after the effective date of termination of Respondent's registration with Goldman Sachs, namely, April 6, 2011 and (2) this Complaint charges her with misconduct committed while she was registered or associated with a FINRA member.

STATEMENT OF FACTS

4. In 2011, Appelblatt worked for Goldman Sachs as a registered sales assistant working with a team of brokers in the firm's New York City branch. Appleblatt's duties included processing certain types of transactions—including wire transfers.

5. On March 2, 2011, an email was sent from a customer's email account to Appelblatt. This email requested wire transfers of \$72,000 and \$68,000 from the customer's account to third party bank accounts at two banks in Australia. The email stated in part:

Hi Eileen, I loss [sic] my little sister this morning and am on my way to the mortuary, would like you to email me the

cash available balance in all accounts and let me know if you are available to assist in sending out an international wire transfer to Bank [sic] in Australia, let me know what information you will need to email them to you, please advise[.]

6. After receiving this email, Appelblatt replied expressing her condolences, provided the account balance in the customer's joint account held with his wife, and asked for the information necessary to process the wire transfer. Thereafter, the imposter responded to Appelblatt with wire transfer instructions for two wire transfers to banks in Australia for \$72,000 and \$68,000.

7. Appelblatt and the imposter next exchanged several emails about the wire instructions. Appelblatt then emailed the imposter—whom she still thought was the customer—indicating that she was going to process the wire transfers but would need both his and his wife's signature on a letter of authorization because the funds were coming from a joint account. She wrote, however, that the signatures could follow after the wire transfers were completed.

8. Later in the day on March 2, 2011, Appelblatt emailed the imposter and stated "[p]ayments going out now, if you could follow up with a letter signed by both of you." The imposter replied, stating: "[t]hanks for your assistance, can we sign the paper work on friday? [sic] because we are still at the mortuary and will be busy until friday [sic] morning. please confirm if wire has been sent out or still pending."

9. In order to process the wire transfers without first obtaining a signed letter of authorization, Appelblatt submitted an Exception Request to her supervisor requesting permission to process them without waiting for a written letter of authorization signed by both joint account holders.

10. On the Exception Request, Appelblatt represented that she had spoken with the customer to confirm the wire request. She did this by selecting "GS Employee Call Out," under the "TYPE OF VERBAL CONFIRMATION" field on the Exception Request, and she entered a specific phone number as well as the date and time of "March 2, 2011 at 2:45 p.m." She also represented that she recognized the customer's voice during the call by selecting "Voice Recognition" under the "VERIFICATION TYPE" field on the Exception Request.

11. Appelblatt's representations on the Exception Request that she had verbally confirmed the wire transfer requests through a phone call to the customer at 2:45 p.m. on March 2 and recognized the customer's voice were false. Appelblatt had not spoken with the customer on the telephone to confirm the requests.

12. Appelblatt also falsely noted on the Exception Request that the persons receiving the wired funds were "relatives" of the customer. In fact, nothing in any of the emails from the imposter suggested that the wire transfer recipients were related to the customer.

13. Appelblatt also misrepresented the basis for the Exception Request. On the Exception Request, under the section "[r]eason why transaction cannot wait for receipt of LOA," Appelblatt wrote "death of [customer's] sister and urgent request for burial arrangements and to get relatives there. I have an e-mail from [Customer] just need [customer's wife] to respond and need a letter." Nothing in any of the imposter's emails referred to "burial arrangements" or a "need to get relatives there" as the reason for the wire transfer requests.

14. After Appelblatt submitted the Exception Request, the fraudulent wire transfers requested by the imposter were processed, and a total of \$140,000 was wired out of the customer's account.

15. After the fraud was discovered, Goldman Sachs recovered approximately \$120,000 out of the total \$140,000, and Goldman Sachs reimbursed the customer the remaining approximately \$20,000 loss.

**FIRST CAUSE OF ACTION
FALSIFICATION
(FINRA RULE 2010)**

16. The Department reallages and incorporates by reference paragraphs 1 through 15 above.

17. Appelblatt prepared an Exception Request form falsely representing that she had verified the customer's wire transfer instructions as follows:

- a. Appelblatt falsely represented that she called the customer's phone number when she did not.
- b. Appelblatt falsely represented that she verified the customer's wire transfer instructions by voice recognition on a specific date and time when she did not.
- c. Appelblatt falsely represented that the wire transfer recipients were relatives of the customer when she had no basis for such a representation.
- d. Appelblatt falsely represented that the reason for the wire transfer and requested exception was for burial arrangements and travel

expenses of the customer's relatives when she had no basis for such a representation.

18. Appelblatt's false representations were inconsistent with high standards of commercial honor and just and equitable principles of trade.

19. As a result of the foregoing conduct, Appelblatt violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
CAUSING FALSE BOOKS AND RECORDS
(NASD RULE 3110 AND FINRA RULE 2010)**

20. The Department reallages and incorporates by reference paragraphs 1 through 19 above.

21. Rule 17a-4(b)(4) under the Securities Exchange Act of 1934 requires brokerage firms to "preserve. . . [o]riginals of all communications received and copies of all communications sent . . . by such member, broker or dealer (including inter-office memoranda and communications) relating to its business as such." NASD Rule 3110 requires, among other things, that firms comply with the recordkeeping and retention requirements of Rule 17a-4.

22. The Exception Request was an inter-office memorandum relating to Goldman Sachs' business. Appelblatt's preparation of the false Exception Request caused Goldman Sachs to preserve and maintain false books and records as required by SEC Rule 17a-4(b)(4) and NASD Rule 3110.

23. By virtue of such conduct, Appelblatt violated NASD Rule 3110. As a result of that violation, Appelblatt also violated FINRA Rule 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 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: August 22, 2012



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