

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011027681401**

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

RE: Frank John Tarazon, Respondent
CRD No. 3272807

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Frank John Tarazon ("Tarazon" or the "Respondent"), 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

Tarazon entered the securities industry in 1999 through an association with a FINRA member firm. He worked at ING Financial Partners, Inc. (BD No. 2882) (the "Firm") from February 2002 to May 2011 as an Investment Company Products/Variable Contracts Representative. On May 10, 2011, the Firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") stating that Tarazon had been terminated for violating Firm policy by borrowing money from a customer and not disclosing it to the Firm. Although he is not currently employed in the securities industry, FINRA retains jurisdiction over Tarazon pursuant to Article V, Section 4(a) of the FINRA By-Laws.

RELEVANT DISCIPLINARY HISTORY

Tarazon has no disciplinary history with the Securities and Exchange Commission, any state securities regulator, FINRA or any other self-regulatory organization.

OVERVIEW

This matter concerns Tarazon's unapproved borrowing of more than \$360,000 from an elderly customer, GM, in violation of NASD Rules 2370 and 2110 and FINRA Rule 2010. Additionally, Tarazon had a financial interest in three undisclosed brokerage accounts in violation of NASD Rules 3050 and 2110 and FINRA Rule 2010. Finally, Tarazon made false attestations to the Firm concerning the existence of his outside brokerage accounts and about his relationship as trustee and beneficiary for GM's estate in violation of NASD Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Violation of NASD Rules 2370 and 2110 and FINRA Rule 2010 – Unapproved Borrowing from a Customer

In or around January 2007, GM, a 75-year-old woman, became Tarazon's customer at the Firm. Tarazon and GM did not have a prior relationship, nor were they immediate family members. They were introduced by their mutual accountant, RE. Tarazon and GM developed a friendship. Between May 22, 2007 and May 25, 2010, GM repeatedly offered Tarazon money for various purposes, including investing in real estate that Tarazon planned to personally purchase. Tarazon accepted these funds as loans, pursuant to three written agreements (each one a "Note"). In total, Tarazon borrowed \$368,692 over time from GM. More specifically, Tarazon received the following loans from GM:

- Between May 22, 2007 and October 1, 2007, Tarazon borrowed a total of \$66,192 from GM. The terms of these loans were later memorialized in the first Note, dated December 17, 2007. Tarazon made regular interest payments to GM on these loans.
- On October 18, 2007, GM gave Tarazon an additional \$225,000. Tarazon memorialized his obligation to repay this loan in the second Note, dated December 17, 2007. Tarazon made regular interest payments to GM under the terms of this loan.
- On May 25, 2010, GM gave Tarazon \$77,500 pursuant to the third Note executed by Tarazon on that date. Tarazon made regular interest payments to GM under the terms of this loan.

NASD Rule 2370 prohibits registered persons from borrowing money from their customers unless the firm has written procedures allowing such lending arrangements and certain other conditions are met. The Firm's policies and procedures prohibited registered representatives from borrowing money from customers, except from immediate family members. Additionally, Tarazon never sought permission to borrow funds from GM and the Firm was unaware of GM's loans to Tarazon.

By reason of the foregoing, Tarazon violated NASD Rules 2370 and 2110 and FINRA Rule 2010 in connection with unapproved borrowing from GM.

**2. Violation of NASD Rules 3050 and 2110 and FINRA
Rule 2010 – Undisclosed Outside Brokerage Accounts**

NASD Rule 3050(c) requires that an associated person “prior to opening an account or placing an initial order for the purchase or sale of securities with another member, shall notify both the employer member and the executing member in writing of his or her association with the other member.” NASD Rule 3050(e) extends the written notification requirement of NASD Rule 3050(c) to accounts over which an association person has a financial interest.

Tarazon maintained or had a financial interest in three brokerage accounts held outside the Firm without providing the Firm with written notice of these accounts or receiving the Firm’s prior approval to open or hold an interest in them. More specifically:

- From at least February 2008 to at least December 2010, Tarazon had a financial interest in a brokerage account held in the name of a family member at an outside brokerage firm. Tarazon did not disclose this account to the Firm and neither sought nor obtained the Firm’s approval to maintain a financial interest in the account.
- Tarazon also held two brokerage accounts in his own name at an outside brokerage firm. The first account was open from March 2008 until April 2010. The second account was open from July 2008 until March 2010. Tarazon did not disclose these accounts to the Firm and neither sought nor obtained the Firm’s approval to open the accounts.

By reason of the foregoing, Tarazon violated NASD Rules 3050 and 2110 and FINRA Rule 2010.

**3. Violation of NASD Rule 2110 and FINRA
Rule 2010 – False Statements to the Firm**

In April 2008, GM designated Tarazon as a successor trustee to her trust and as a beneficiary to that trust. At all relevant times, the Firm’s policies and procedures prohibited registered representatives from being named as a beneficiary on an account or from acting in the capacity of a “guardianship, conservator, trustee, power of attorney, or any similar type of relationship” on behalf of any unrelated person without first obtaining written approval from the Firm. This prohibition included acting as a beneficiary of a trust or estate. Between 2008 and 2010, Tarazon was required to make certain annual attestations to the Firm concerning, among other things, trustee and beneficiary relationships with customers and the existence of outside brokerage accounts.

- During the Firm’s Annual Inspections in 2008 and 2009, Tarazon falsely stated to his supervisor that he did not have any undisclosed outside brokerage accounts.

- Tarazon falsely stated on his 2008, 2009, and 2010 Annual Business Questionnaires that he had not been named as a trustee or beneficiary of a customer's trust.

By reason of the foregoing, Tarazon failed to observe high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2010 and FINRA Rule 2110.

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

- A six-month suspension from association with any FINRA member firm in any capacity and a \$20,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the six-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.

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

I understand that if I am barred or suspended from associating with any FINRA member, 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 any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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.

3/18/13
Date

Frank John Tarazon
Frank John Tarazon, Respondent

Accepted by FINRA:

4/8/2013
Date

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

Susan M. Schroeder
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