

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011027852604**

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

RE: Francis R. LaRosa, Jr., Respondent
General Securities Representative and General Securities Sales Supervisor
CRD No. 2623556

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

LaRosa entered the securities industry in 1995. He became registered as a General Securities Representative on February 9, 1999, and as a General Securities Sales Supervisor on May 12, 2000, with a predecessor firm to Morgan Stanley Smith Barney.¹ He remained registered in both capacities until May 20, 2011, when MSSB filed notice that it had fired LaRosa as a result of an investigation which raised concerns, among other things, about the purchase of personal items and over \$60,000 in gift cards from a retail vendor, which were charged to the Firm's account. Between July 11, 2012 and March 18, 2013, LaRosa was registered as a General Securities Representative and General Securities Sales Supervisor with another FINRA member firm. LaRosa is not

¹ Morgan Stanley Smith Barney or any predecessor firm will be referred to herein as "MSSB" or "the Firm."

currently associated with any FINRA member. FINRA retains jurisdiction over LaRosa pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

LaRosa has no prior disciplinary history.

OVERVIEW

Between November 2008 and April 2011, LaRosa converted approximately \$87,000 from the Firm by causing the Firm to pay for personal or other unauthorized expenses. He did this in two ways. First, he submitted, or caused others to submit, false invoices in order to disguise personal and other unauthorized expenses incurred at a country club as legitimate business expenses. Based on these false invoices, the Firm paid the country club for these improper expenses. Second, LaRosa and his wife purchased gift cards and groceries at a local grocery store for themselves and others through an account that was only to be used for business expenses. He submitted, or caused others to submit, the invoices for payment to the grocery store from the Firm falsely claiming the expenses were business related when they were personal and the Firm paid them.

LaRosa served as a branch manager and then as a complex manager for the Firm. In those positions he had authority to approve branch or complex expenses up to specified dollar limits. In fact, LaRosa approved many of the personal and unauthorized expenses described above.

By converting his employer's funds through causing the Firm to pay for personal and other unauthorized expenses, LaRosa violated NASD Rule 2110 and FINRA Rule 2010. By submitting false invoices and documents to MSSB, LaRosa caused his Firm to violate Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 promulgated thereunder, which require a firm to maintain accurate books and records, thereby violating NASD Rules 3110 and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. LaRosa Converted Employer Funds by Submitting False Country Club Invoices

Between approximately April 2009 and April 2011, LaRosa received itemized monthly invoices from his country club, many of which listed personal expenses that he incurred, such as membership dues, food, and golf and pro shop fees. None of these personal expenses was allowed under MSSB's policies.

To cause MSSB to pay these personal expenses, LaRosa, or others acting on his behalf, had his country club generate false invoices to disguise the personal expenses as legitimate business expenses. LaRosa, or others acting on his behalf, submitted 13 false country club invoices that falsely represented that LaRosa incurred allowable business expenses, or falsely represented the amount of allowable expenses that he incurred, at the country club.

For example, an original invoice for January 2010 that LaRosa received from the country club identified his personal expenses for the month, including one entry each for meals, membership dues, a capital assessment, and an unspent minimum expense, and listed a balance due for the month of \$1,554.07. The false country club invoice LaRosa caused to be created for January 2010, however, contained only one entry – a purported lunch meeting with twenty-five attendees on January 25, 2010, costing \$1,554.07, the exact amount he incurred for the personal expenses listed on the original invoice.

LaRosa, in his roles as branch manager and complex manager, approved for payment four of the false invoices referred to above.

Beginning in approximately August 2010, the Firm required cover sheets to accompany invoices submitted to the Firm for payment. Between August 2010 and April 2011, LaRosa, or others acting on his behalf, further misrepresented in notes on cover sheets submitted with four of the false invoices the personal unauthorized expenses as allowable business expenses or the amount of allowable expenses that LaRosa incurred.

By submitting false country club invoices and false cover sheets, LaRosa, without authorization, willfully caused MSSB to pay \$23,337.24 to the country club for LaRosa's personal expenses. Accordingly, LaRosa converted \$23,337.24 from MSSB in violation of FINRA Rule 2010.

2. LaRosa Converted Employer Funds by Using a Business Account for Personal Use

LaRosa and his wife each had access to an account that MSSB maintained at a grocery store chain. MSSB maintained written policies stating that employees could use such accounts only for appropriate business purposes.

Between November 2008 and March 2011, LaRosa and his wife used the grocery store account without authorization for two types of purchases of goods and items for their personal use or for the use of other MSSB employees. By

misrepresenting the nature of the purchases, LaRosa caused the Firm to pay the grocery store for at least \$63,000 in improper expenses.

First, between March 2009 and March 2011, LaRosa, or his wife at LaRosa's request, used the account without authorization to purchase 553 gift cards at a total cost of \$56,559.85. The Firm prohibited employees from using the account to purchase gift cards and prohibited employees from giving gift cards to other employees. In violation of Firm policies, LaRosa caused MSSB to pay the grocery store for the gift cards. LaRosa gave approximately half of the gift cards to MSSB employees, and gave the remaining gift cards to his wife, who used them for personal use.

Second, between November 2008 and August 2010, LaRosa and/or his wife used the grocery store business account without authorization to purchase items for their personal use, including meals, groceries, and household items, at a total cost of at least \$7,100.

LaRosa, or others acting on his behalf, submitted 23 invoices from the grocery store for the expenses described above to MSSB for payment, and in so doing falsely represented that all of the expenses incurred were allowable business expenses when, in fact, at least \$63,000 of the total was for personal or other unauthorized, non-reimbursable expenditures.

Between August 2010 and April 2011, LaRosa, or others acting on his behalf, further misrepresented the unauthorized transactions as allowable business expenses in notes on cover sheets submitted with seven of the invoices for purchases at the grocery store. For example, on a cover sheet accompanying an August 2010 invoice totaling \$5,020.34, LaRosa, or others acting on his behalf, described the expenses as "floral arrangements." In fact, during that month LaRosa's complex spent less than \$200 on floral arrangements, while LaRosa and/or his wife spent nearly \$4,800 on unauthorized purchases of gift cards and groceries: LaRosa, or his wife at LaRosa's request, purchased 39 gift cards totaling \$3,871.30; and LaRosa's wife spent \$924.39 on over 160 household items, including macaroni and cheese, onions, and toothpaste.

LaRosa approved eight of the 23 invoices used to pay the grocery store for improper purchases of gift cards and groceries, including the August 2010 invoice described above.

By using the grocery store account for unauthorized personal use and causing the Firm to pay the store, LaRosa converted at least \$63,000 from MSSB, in violation of NASD Rule 2110 and FINRA Rule 2010.

3. LaRosa Submitted False Invoices and Documents

As described above, LaRosa submitted, or caused others to submit, false invoices and cover sheets to MSSB in order to cause the Firm to pay for unauthorized personal expenses. Between approximately October 2009 and November 2010, LaRosa also submitted, or caused others to submit, 16 additional false invoices from the country club and ten cover sheets describing those expenses in order to cause the Firm to pay the country club for certain allowed expenses.

By submitting, or causing others to submit, false invoices and cover sheets to MSSB, LaRosa caused the Firm to violate Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder, thereby violating NASD Rules 3110 and 2110, and FINRA Rule 2010.

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

- A bar from association with any FINRA member firm in any capacity.

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. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

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

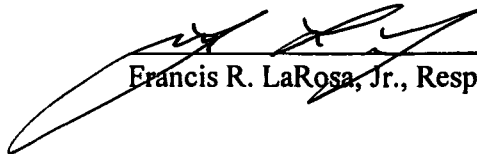
I understand that:

- 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.

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.

9/3/13
Date (mm/dd/yyyy)


Francis R. LaRosa, Jr., Respondent

Reviewed by:

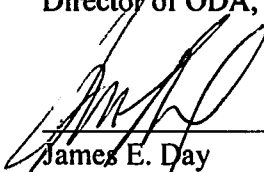

Nancy L. Hendrickson, Esq.
Hendrickson Law Firm
203 North LaSalle Street, Suite 1620
Chicago, IL 60601
Counsel for Respondent

Accepted by FINRA:

9/17/13

Date

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



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