

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030670601**

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

RE: Daniel L. Pancake, Respondent
General Securities Principal
Municipal Securities Principal
Introducing Broker-Dealer/Financial and Operations Principal
General Securities Representative
Operations Professional
CRD No. 355836

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

Respondent Daniel L. Pancake ("Pancake") entered the securities industry in October 1969 when he became registered as a General Securities Representative at a FINRA member. On March 25, 1993, Pancake became registered in that same capacity at FINRA member Great Circle Financial ("the Firm"). He subsequently became registered there in the following capacities:

Registration Category	Approval Date
General Securities Principal	01/07/2003
Municipal Securities Principal	10/29/2003
Introducing Broker-Dealer/Financial and Operations Principal	01/01/2004
Operations Professional	12/14/2011

Pancake terminated from the Firm on September 5, 2013. Since November 22, 2013, he has been registered as a General Securities Representative at another FINRA member.

Pancake has no relevant disciplinary history.

OVERVIEW

Pancake failed to exercise reasonable supervision over the trading activities of a registered individual. He also failed to implement a supervisory system reasonably designed to ensure that all options transactions were appropriately supervised. Finally, he failed to implement an adequate supervisory control system.

As a result of the foregoing, Pancake violated NASD Rules 3010, 3012, FINRA Rule 2010 and MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

1. Failure to supervise a registered individual

Between October 28, 2010 and October 22, 2012, CO, a registered individual at the Firm, recommended and effected approximately 49 purchases of various leveraged and inverse-leveraged exchange-traded funds (ETFs) for the accounts of five customers. All of the prospectuses for these ETFs clearly stated that they were designed to be held for one day, and that holding periods exceeding one day would likely result in performance that differed in amount and possibly even direction from the performance that the ETFs were designed to achieve. Nevertheless, CO held the ETF positions in the customers' accounts for much longer time periods. By this conduct, CO demonstrated that he had a fundamental misunderstanding of how the ETFs functioned, such that any recommendation he made pertaining to them could not have been based on reasonable grounds.

At all times relevant to this AWC, Pancake was CO's direct supervisor, responsible for reviewing and approving CO's non-options securities transactions. Pancake failed to exercise reasonable supervision over CO's recommendations of the ETFs in the aforementioned five customer accounts, thereby allowing CO to conduct numerous, unsuitable transactions. Consequently, Pancake violated NASD Rule 3010 and FINRA Rule 2010.

2. Failure to establish and maintain adequate supervisory system

At all times relevant to this AWC, Pancake was responsible for establishing and maintaining the Firm's system for supervising the activities of its associated persons. Between June 2009 and December

2012, CO effected more than 3,500 options transactions in various customer accounts at the Firm. None of these transactions received supervisory review by a Registered Options and Security Futures Principal. By failing to ensure that all options transactions at the Firm were reviewed by an appropriately registered principal, Pancake violated NASD Rule 3010 and FINRA Rule 2010.

3. *Failure to establish, maintain and enforce adequate supervisory control system*

At all times relevant to this AWC, Pancake was responsible for establishing, maintaining and enforcing the Firm's system of supervisory control policies and procedures. Between August 10, 2009 and December 9, 2012, the Firm's supervisory control system was inadequate, in that:

- (a) The system did not provide for any testing of the Firm's supervisory procedures, and no actual tests were conducted for calendar years 2009 through 2012; and
- (b) Although the Firm relied on the "Limited Size and Resources" exception described in NASD Rule 3012(a)(2)(A)(ii) and MSRB Rule G-27(f)(ii)(A)(2), it failed to notify FINRA of its reliance on the exception and also failed to document the factors used to determine that reliance on the exception was necessary.

By failing to establish, maintain and enforce an adequate system of supervisory control policies and procedures, Pancake violated NASD Rule 3012, FINRA Rule 2010 and MSRB Rule G-27.

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

- A two-month suspension from association with all FINRA members in all principal capacities.

I understand that if I am barred or suspended from associating with any FINRA member in any principal capacity, 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 principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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 prejudice 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;
- 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; and
- 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.

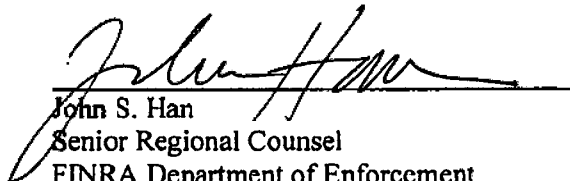
3/20/2014
Date (mm/dd/yyyy)


Daniel L. Pancake, Respondent

Accepted by FINRA:

05/22/2014
Date

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


John S. Han
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