

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Westor Capital Group, Inc.
(CRD No. 103823),

and

Richard Hans Bach
(CRD No. 1011097),

Respondents.

DISCIPLINARY PROCEEDING
No. 2012031479601

NOTICE OF INITIATION OF PROCEEDING
SEEKING A TEMPORARY CEASE AND DESIST ORDER
UNDER FINRA RULE 9810

The Department of Enforcement, pursuant to FINRA Code of Procedure Rule 9810, hereby notifies Respondents Westor Capital Group, Inc. (“Westor” or the “Firm”) and Richard Hans Bach (“Bach”) that it is initiating a proceeding seeking the issuance of a temporary cease and desist order by the Hearing Panel.

Contemporaneously with this Notice, the Department is filing and serving a complaint under Rule 9211 against Respondents relating to the subject matter of this temporary cease and desist proceeding alleging violations of the rules specified in this Notice, among other violations.

The Department is seeking this order based upon Respondents' repeated and continuous violations of the following:

1. FINRA Rule 2010, which provides that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade," for misuse or conversion of customer assets; and
2. FINRA Rule 2150 (formerly NASD Rule 2330), which provides that "no member or person associated with a member shall make improper use of a customer's securities or funds."

Respondents have violated, and based on information and belief continue or, at a minimum, are likely to continue to violate, the above-referenced provisions by (i) converting or misusing customer funds by retaining and failing to promptly pay on demand free credit balances due to customers, (ii) misusing customer securities by retaining and failing to promptly effect delivery on demand to customers their fully paid securities in Westor's possession or control, and (iii) misusing fully paid customer securities to effect and cover short sales by other customers.

As alleged in the Complaint, Westor's primary securities activity is the unsolicited purchase and sale of microcap securities traded on the OTC Markets including those categorized as OTC Pink. Bach is Westor's President, Chief Compliance Officer and FINOP. Pursuant to its Membership Agreement with FINRA, Westor is not permitted to hold customer funds or securities. In or about May 2011, Westor's then clearing firm terminated its clearing relationship with the firm due to concerns over Westor's penny stock liquidation activity. Since this date, in contravention of its FINRA Membership Agreement, Westor has been holding customer funds and securities in its name through various bank and brokerage accounts. Since early 2012, Westor has also been operating as a self-clearing firm.

This activity resulted in violations of, *inter alia*, Section 15(c) of the Securities Exchange Act, Rule 15c3-1 thereunder (Net Capital Requirements for Brokers and Dealers), and Rule 15c3-3 (Customer Protection—Reserves and Custody of Securities), which violations are the subject of another pending disciplinary proceeding, *viz.*, *Department of Enforcement v. Westor Capital Group, Inc. and Richard Hans Bach*, (2011025506901), which is currently scheduled for hearing on January 28 through February 1, 2012.

Investigation by FINRA staff has uncovered misuse of customer funds and securities in the custody of Westor in connection with the unauthorized self-clearing arrangement which continues to be operated by the firm, as is more fully set forth in the accompanying supporting Declaration of William D. Park, FINRA's Senior Director, Case Development Team.

The above-referenced violative conduct or continuation thereof is likely to result in significant dissipation or conversion of assets or other significant harm to investors prior to the completion of the underlying disciplinary proceeding. The continued operation of the unauthorized self-clearing business with deficient operational systems and controls is likely to result in repeat violations of the rules and regulations charged in the complaint. In addition, the Firm has yet to honor customer TT's request for withdrawal of his free credit balance.

In connection with this Temporary Cease and Desist proceeding, the Department is requesting that the Hearing Panel issue an Order immediately requiring Respondents to take or refrain from taking the following actions:

CEASE AND DESIST from violating FINRA Rules 2150 and 2010; and

CEASE AND DESIST from dissipating or converting assets of customers, including but not limited to (a) withholding delivery of securities under properly-authorized withdrawal instructions; (b) withholding payment of free credit balances under properly-authorized withdrawal requests; and (c) misusing fully paid customer securities to effect and cover short sales by other customers.

Additionally, the Department requests that the Hearing Panel, exercising its authority under Rule 9840(b)(3), **ORDER** Respondents to take the following actions:

1. As of the date of the temporary cease and desist order, conduct the securities examination, count, verification, and comparison called for under SEA Rule 17a-13 and report the comparison of results of the count and verification with the firm's records to the Hearing Panel and to the Department within ten calendar days of the order; and
2. As of the date of the temporary cease and desist order, prepare an accounting of all *funds carried for the account of any customer*, as such term is defined in SEA Rule 15c3-3(a)(10) and a reconciliation of such accounting with statements of deposit accounts maintained at any financial institution, including, without limitation, any Reserve Bank Account, and provide such accounting, reconciliation and statement copies to the Hearing Panel and to the Department within ten calendar days of the order.

Such reports and accounting shall be in the form of a sworn affidavit executed by Bach, pursuant to Procedural Rule 8210, and under penalty of perjury.

Dated: January 22, 2013



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