

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

Department of Market Regulation,

Complainant,

v.

William Norris Jordan Jr (CRD No. 1385105),

Respondent.

DISCIPLINARY PROCEEDING
No. 20120317482-03

COMPLAINT

The Department of Market Regulation (“Market Regulation”) alleges:

SUMMARY

1. From November 2009 through August 2011, Respondent William Norris Jordan Jr (“Jordan” or “Respondent”), an associated person of FINRA member broker-dealer Kildare Capital, Inc. (“Kildare” or “KCAP”),¹ engaged in a fraudulent and deceptive scheme involving the offer, sale, and execution of seven sets of pre-arranged, round-trip transactions in municipal securities. Through this scheme, Jordan sold municipal securities to an inter-dealer broker (CH) and simultaneously purchased the same securities back from inter-dealer broker (CH) at a slightly higher price. The seven pre-arranged round-trip transactions between Jordan and inter-dealer broker (CH) had the effect, and were done for the purpose, of creating a false appearance of market activity in these municipal securities. The pre-arranged, round-trip transactions were reported to the Municipal Securities Rulemaking Board’s (“MSRB”) Real-time Reporting System (“RTRS”) and publicly disseminated by the Electronic Municipal Market Access system (“EMMA”).

¹ Kildare Capital, Inc. filed a Form BDW and terminated its FINRA membership on March 19, 2015.

2. In six instances, Jordan executed the pre-arranged, round-trip transactions with inter-dealer broker (CH) for the purpose of disguising Kildare's acquisition cost and the true nature and amount of the mark-ups charged to customers. Jordan executed these six round-trip, pre-arranged transactions at prices higher than his acquisition cost and before his sales to Kildare's customers. Accordingly, Jordan, in these six instances, disguised his real mark-ups (or in one instance attempt to avoid a loss) in his transactions with customers.

3. In one other instance, Jordan executed a pre-arranged, round-trip transaction with inter-dealer broker (CH) at a price above the prevailing market price that also created the false appearance of market activity.

4. Jordan did not disclose these seven pre-arranged, round-trip transactions to customers or other market participants.

5. In connection with this fraudulent pre-arranged, round-trip trading scheme, Jordan made approximately \$66,493.55 in undisclosed profits. By engaging in such misconduct, Jordan willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and SEC Rule 10b-5 thereunder, and MSRB Rule G-17.

6. In addition, in connection with the execution of six pre-arranged, round-trip transactions referenced herein, Jordan sold municipal securities to Kildare's customers at aggregate prices (including any mark-up) at prices that were not fair or reasonable under the circumstances. By engaging in such misconduct, Jordan willfully violated MSRB Rules G-30 and G-17.

7. Jordan also published and caused Kildare to publish reports to the MSRB of purchase and sale transactions in municipal securities that he knew, or had reason to believe, were fictitious and in furtherance of a fraudulent, deceptive or manipulative purpose, in willful violation of MSRB Rules G-14 and G-17.

8. In addition, between April 2013 and October 2014, Jordan provided a false written statement to Kildare and FINRA in response to a FINRA Rule 8210 information request, and provided false testimony during on-the-record interviews (“OTR”) with the Market Regulation staff investigating this matter. Jordan provided a written statement and OTR testimony to the FINRA staff that falsely stated that the municipal securities transactions described above were executed to compensate inter-dealer broker (CH) for providing valuable services rendered, such as showing bond offerings to Jordan and Kildare. However, all seven of the pre-arranged, round-trip transactions executed between Kildare and inter-dealer broker (CH) referenced in this Complaint were effectuated to create false, misleading and deceptive market activity, and not in connection with valuable services rendered. By making a false written statement to Kildare and FINRA, and providing false OTR testimony to FINRA’s staff, Jordan violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

9. William Norris Jordan Jr, age 55, first became registered with FINRA on April 25, 1986. Jordan was registered as a General Securities Representative with Kildare from June 21, 2005 until January 17, 2014. Jordan is currently employed by another FINRA member broker-dealer. FINRA has jurisdiction over Jordan because he is currently associated with a FINRA member firm.

FIRST CAUSE OF ACTION

Fraud

(Willful Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5 and MSRB Rule G-17)

10. Market Regulation realleges and incorporates by reference the preceding paragraphs.

11. In seven instances, Jordan engaged in a pre-arranged, round-trip transaction whereby he sold municipal securities to inter-dealer broker (CH) at a pre-determined price, simultaneously purchased the same municipal securities back from inter-dealer broker (CH) at a slightly higher price, and then sold the securities to either Kildare's customers or another broker-dealer.

12. The seven pre-arranged, round-trip transactions were executed by Jordan with inter-dealer broker (CH) at prices that were higher than Kildare's acquisition price.

13. The fraudulent pre-arranged trading scheme involving the seven sets of municipal securities transactions was employed by Jordan to: 1) disguise Kildare's acquisition cost and the true nature and amount of the mark-ups charged to Kildare's customers; 2) create a false and misleading appearance of market activity; and 3) create an improper increase in the reported prices of the subject municipal securities.

14. As part of the fraudulent pre-arranged trading scheme involving the seven sets of municipal securities transactions, Jordan did not disclose to Kildare's customers or other broker-dealers that he sold and simultaneously repurchased the municipal securities from the same inter-dealer broker in the pre-arranged transactions. Jordan did not disclose to customers or other broker-dealers the existence of his fraudulent scheme, the resulting increase in the reported

transaction prices or the profits he made in connection with the pre-arranged, round-trip transactions.

15. In six instances, the pre-arranged, round-trip transactions were effected to deceive Kildare's customers concerning Kildare's cost basis for the securities and to induce the customers into paying more for the municipal securities purchased than they otherwise would have paid. In one instance, the pre-arranged, round-trip transactions were effected to deceive other market participants into believing that the pre-arranged, round-trip transactions represented bona fide market activity and that the prices reflected in those transactions were the result of legitimate supply and demand. In connection with six of the pre-arranged, round-trip transactions, Jordan made profits of approximately \$66,493.55, and in one of the pre-arranged, round-trip transactions Jordan reduced his loss to \$3,283.35. The details of the seven pre-arranged, round-trip transactions are as follows:

- i. On November 4, 2009, at 1:48:56 p.m., Kildare (Jordan) purchased 1,890 municipal bonds (CUSIP No. 83755G8H3) from another broker-dealer at 103.657. 19 minutes later, at 2:07:02 p.m., Jordan sold the 1,890 bonds to inter-dealer broker (CH) at 104.032 and simultaneously purchased the bonds back at 104.057. Jordan sold the bonds to a customer at 1:56 p.m. at 104.361. Kildare and Jordan's total profit on this set of transactions was \$12,833.10.
- ii. On November 23, 2009, at 4:53:41 p.m., Kildare (Jordan) purchased 980 municipal bonds (CUSIP No. 011832E57) from another broker-dealer at 103.75. On November 24, 2009, at 1:03:02 p.m., Jordan sold 775 of the bonds to inter-dealer broker (CH) at 104.50 and simultaneously purchased the bonds back at 104.525. Seven minutes later, at 1:10:00 p.m., Jordan sold 775 of the bonds to a

customer at 104.90. The remaining 205 of the bonds were sold to the same customer seven days later, on December 1, 2009, at 4:20:00 p.m., at 104.90. Kildare and Jordan's total profit on this set of transactions was \$11,076.25.

- iii. On November 30, 2009, Kildare (Jordan) purchased 1,000 municipal bonds (CUSIP No. 650009LZ4) from a customer at 109.055. On January 5, 2010, at 9:59:02 a.m., Jordan sold the 1,000 bonds to inter-dealer broker (CH) at 111.069 and simultaneously purchased the bonds back at 111.094. The most recent prior inter-dealer transaction in this security was five days earlier on December 31, 2009, for 35 bonds at 107.756. On January 25, 2010, Jordan sold 885 of the bonds to a customer at 108.709. There were no transactions in this security between Jordan's pre-arranged transaction with inter-dealer broker (CH) on January 5, 2010, and his sale of 885 bonds to his customer on January 25, 2010. The next subsequent inter-dealer transaction in this security was on February 19, 2010, for 50 bonds at 108.777. By their conduct, Kildare and Jordan's total loss on this set of transactions was reduced to \$3,283.35.
- iv. On March 12, 2010, at 09:30:00 a.m., Kildare (Jordan) purchased 1,395 municipal bonds (CUSIP No. 518331BM4) from a customer at 100.451. On March 16, 2010, at 4:06:02 p.m., Jordan sold the 1,395 bonds to inter-dealer broker (CH) at 101.35 and simultaneously purchased the bonds back at 101.40. The most recent prior inter-dealer transaction in this security was 150 bonds on February 22, 2010, at 99.003. On March 17, 2010, and March 19, 2010, in two separate transactions in quantities of 50 and 1,345 bonds, Jordan sold the bonds to two broker-dealers

at prices of 102.77 and 101.585, respectively. Kildare and Jordan's total profit on this set of transactions was \$15,714.30.

- v. On May 21, 2010, at 11:32:27 a.m., Kildare (Jordan) purchased 1,120 municipal bonds (CUSIP No. 190684NE6) from another broker-dealer at 107.481. On May 24, 2010, at 10:35:56 a.m., Jordan sold the 1,120 bonds to inter-dealer broker (CH) at 108.255 and simultaneously purchased the bonds back at 108.28. On May 25, 2010, at 10:48:00 a.m., Jordan sold the 1,120 bonds to a customer at 108.84. Kildare and Jordan's total profit on this set of transactions was \$14,940.80.
- vi. On July 19, 2011, at 1:02:11 p.m., Kildare (Jordan) purchased 2,000 municipal bonds (CUSIP No. 67755CQL6) from inter-dealer broker (CH) at 109.261. On July 21, 2011, at 10:00:11 a.m., Jordan sold the 2,000 bonds to inter-dealer broker (CH) at 109.67 and simultaneously purchased the bonds back at 109.695. On July 25, 2011, Jordan sold 1,460 of the bonds to a customer at 109.755. Kildare and Jordan's total profit on this set of transactions was \$6,847.40.
- vii. On August 23, 2011, at 11:12:48 a.m. and 3:09:44 p.m., in two transactions with broker-dealers, Kildare (Jordan) purchased 675 and 35 municipal bonds (CUSIP No. 246579ER3) at 105.862 and 102.50, respectively. At 3:11:57 p.m., Jordan sold the 710 bonds to inter-dealer broker (CH) at 106.112 and simultaneously purchased the bonds back at 106.137. At 3:52 p.m., Jordan sold the 710 bonds to a customer at 106.437. Kildare and Jordan's total profit on this set of transactions was \$5,081.70.

16. Jordan knew, or was reckless in not knowing, that his fraudulent pre-arranged transactions scheme would result in excessive, fraudulent or deceptive prices being paid by Kildare's customers or other broker-dealers for the subject municipal securities transactions.

17. The fraudulent, pre-arranged transactions scheme, the corresponding transaction reports submitted to the MSRB, and the resulting higher mark-ups or deceptive prices, were material facts that Jordan should have disclosed to Kildare's customers and other market participants but did not.

18. By reason of the foregoing, Respondent Jordan, in connection with the offer, purchase and sale of municipal securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, intentionally or recklessly employed manipulative or deceptive devices, schemes, or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices or a course of business which operated or could operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5 thereunder and MSRB Rule G-17.

SECOND CAUSE OF ACTION

UNFAIR DEALING AND DECEPTIVE, DISHONEST, OR UNFAIR PRACTICES (Willful Violations of MSRB Rule G-17)

19. Market Regulation realleges and incorporates by reference the preceding paragraphs.

20. Jordan, in connection with the design, implementation, and execution of a pre-arranged trading scheme involving the seven sets of municipal securities transactions described

above, and in the conduct of municipal securities activities within the municipal securities marketplace, failed to deal fairly with all persons and engaged in deceptive, dishonest, or unfair practices.

21. By reason of the foregoing, in connection with the design, implementation, and execution of the seven sets of municipal securities transactions described above, and in the conduct of municipal securities activities within the municipal securities marketplace, Respondent Jordan willfully violated MSRB Rule G-17.

THIRD CAUSE OF ACTION
Unfair and Unreasonable Prices
(Willful Violations of MSRB Rules G-30 and G-17)

22. Market Regulation realleges and incorporates by reference the preceding paragraphs.

23. Jordan, in connection with the execution of six sets of subject municipal securities transactions described above (Paragraph 15 of the Complaint, sub-paragraphs i, ii, iii, v, vi and vii) and in the conduct of municipal securities activities, sold municipal securities to customers at aggregate prices (including any mark-up) at prices that were not fair or reasonable. As a result of the execution of these six sets of transactions in municipal securities, Jordan made approximately \$47,495.90 in total profits.

24. By reason of the foregoing, in connection with execution of the six sets of municipal securities transactions described above, and in the conduct of municipal securities activities within the municipal securities marketplace, Respondent Jordan willfully violated MSRB Rules G-30 and G-17.

FOURTH CAUSE OF ACTION

Reporting of Fraudulent, Deceptive, or Manipulative Transactions (Willful Violations of MSRB Rules G-14 and G-17)

25. Market Regulation realleges and incorporates by reference the preceding paragraphs.

26. Jordan published and caused Kildare to publish to the MSRB reports of purchase and sale transactions in municipal securities that he knew or had reason to believe were fictitious transactions and were executed in furtherance of a fraudulent, deceptive or manipulative purpose.

27. By reason of the foregoing, in connection with reports of purchase and sale transactions in municipal securities that he knew or had reason to believe were fictitious transactions and were executed in furtherance of a fraudulent, deceptive or manipulative purpose, Respondent Jordan willfully violated MSRB Rules G-14 and G-17.

FIFTH CAUSE OF ACTION

False Information in Response to FINRA Rule 8210 Information Requests and False OTR Testimony (Violations of FINRA Rules 8210 and 2010)

28. Market Regulation realleges and incorporates by reference the preceding paragraphs.

29. On March 11, 2013, Market Regulation sent a request for information, pursuant to FINRA Rule 8210, to Kildare, requesting information regarding certain municipal securities transactions executed by Kildare and its associated persons.

30. On April 15, 2013, in response to the March 11, 2013 request, Kildare produced to Market Regulation a written statement signed by Jordan addressing the seven subject sets of transactions that he executed with inter-dealer broker (CH). In this written statement, Jordan stated that the seven sets of subject transactions were executed with inter-dealer broker (CH) as a

way to compensate one of CH's traders (PD) for her hard work and effort in showing municipal securities offerings to Jordan. Jordan's written statement was false because the seven subject sets of transactions were not executed as a way to compensate one of CH's traders (PD) for her time and effort in showing bond offerings to Jordan, but rather were executed in pre-arranged transactions at price levels determined by Jordan in furtherance of the fraudulent and deceptive scheme referenced in this Complaint.

31. On July 15, 2013, Jordan testified under oath about the seven subject sets of transactions at an OTR conducted by Market Regulation pursuant to FINRA Rule 8210. During his July 15, 2013 OTR, Jordan testified that the seven sets of subject transactions were executed with inter-dealer broker (CH) as a way to compensate one of CH's traders (PD) for her time and effort in showing municipal securities offerings to Jordan and Kildare. Jordan's testimony was false because the seven subject sets of transactions were not executed as a way to compensate one of CH's traders (PD) for her time and effort in showing offerings to Jordan, but rather were executed in pre-arranged transactions at price levels determined by Jordan in furtherance of the fraudulent and deceptive scheme referenced in this Complaint.

32. On October 29, 2014, Jordan again testified under oath about the seven subject transactions at another OTR conducted by Market Regulation pursuant to FINRA Rule 8210. During this second OTR, Jordan again testified that the seven sets of subject transactions were executed with inter-dealer broker (CH) as a way to compensate one of CH's traders (PD) for her time and effort in showing offerings to Jordan and Kildare. Jordan's testimony was false because the seven subject sets of transactions were not executed as a way to compensate one of CH's traders (PD) for her time and effort in showing offerings to Jordan, but rather were

executed in pre-arranged transactions at price levels determined by Jordan in furtherance of the fraudulent and deceptive scheme referenced in this Complaint.

33. Jordan was obligated to make a complete and truthful written statement concerning his activities to Kildare and to FINRA in response to Market Regulation's Rule 8210 request, but he failed to do so.

34. By failing to provide a complete and accurate written response, Jordan obstructed and delayed Market Regulation's investigation of this matter.

35. Jordan was obligated to provide complete and truthful answers during his OTR testimony, but he failed to do so.

36. By failing to provide complete and truthful answers during his OTR testimony, Jordan obstructed and delayed Market Regulation's investigation of this matter.

37. By reason of the foregoing, Respondent Jordan violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Market Regulation respectfully requests that the Panel:

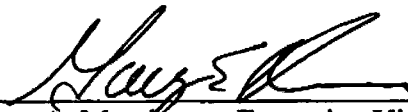
- A. make findings of facts and conclusions of law that Respondent Jordan committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent Jordan be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that Respondent Jordan bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;

- D. make specific findings that Respondent Jordan willfully violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 thereunder, and MSRB Rules G-14, G-17, and G-30; and
- E. grant all further relief, legal or equitable, that is warranted under the circumstances.

FINRA DEPARTMENT OF MARKET REGULATION

Date:

July 13, 2016


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