

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

Department of Enforcement,

Complainant,

v.

Gerald R. Veydt,
CRD No. 1451528,

Respondent.

Disciplinary Proceeding
No. 2012033054301

Hearing Officer: Andrew H. Perkins

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: April 2, 2014

INTRODUCTION

Disciplinary Proceeding No. 2012033054301 was filed on December 12, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Gerald R. Veydt submitted an Offer of Settlement (Offer) to Complainant dated March 24, 2014. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

On about January 23, 1986, Respondent first became registered with FINRA through an association with a member firm as an Investment Company and Variable Contracts Products Representative. Since about August 3, 2011, he has been registered with FINRA as a General Securities Representative through an association with Founders Financial Securities, LLC (BD No. 137945) ("FFS" or the "Firm"). Respondent has conducted his securities business as an independent contractor during his association with FFS. He works in Hunt Valley, Maryland. As Respondent is currently registered, he is subject to FINRA's disciplinary jurisdiction.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. From about October 2011 to March 2012, Respondent paid a portion of the commissions he earned on three securities transactions to PF, who worked for him part-time as an office assistant. In total, Respondent paid PF about \$4,722 constituting a portion of the commissions earned on the three transactions.
2. In March 2012, during an examination of Respondent's office, Respondent told the Member Regulation staff of FINRA's Philadelphia District Office (the "Staff") that he compensated PF by paying personal expenses for her.

3. Thereafter, the Staff requested a written statement from PF (not pursuant to Rule 8210) regarding the personal expenses Respondent had paid for her. Respondent drafted a written response for PF in the form of a letter to FINRA dated April 18, 2012, presented it to PF to sign and obtained her signature on it, and caused the letter to be submitted to FINRA. The letter identified five personal expenses (totaling about \$11,357) that Respondent had paid for PF but the letter falsely stated she had not received any commissions and falsely stated, after identifying the five expenses, "This is the extent of the compensation I have received from Mr. Veydt." Respondent knew, or should have known, the letter was materially false and/or misleading because in fact he had shared commissions with PF on three securities transactions, and those commissions in substance and actuality constituted compensation to her from Respondent.
4. By reason of the foregoing, Respondent violated NASD Conduct Rule 2420 and FINRA Rule 2010 (Rule 2010).

**Sharing Commissions with a Non-Registered Person
(NASD Conduct Rule 2420 and Rule 2010)**

5. From about October 19, 2009 to about April 18, 2012 (the "Relevant Period"), PF worked for Respondent on a part-time basis as an administrative assistant.
6. PF was not registered with FINRA during the Relevant Period but she had been registered with FINRA formerly.
7. In connection with employing PF, Respondent undertook or agreed, informally, to service former clients of PF in anticipation of PF possibly regaining her securities license and resuming work as a securities representative.

8. On or about September 9, 2011, FFS filed a Uniform Application for Securities Industry Registration or Transfer for PF pursuant to which PF applied for registration with FINRA.
9. PF failed the Series 6 examination on December 23, 2011 and again on February 24, 2012.
10. FFS filed a full Uniform Termination Notice for Securities Industry Registration for PF on or about May 15, 2012, terminating her association with the Firm.
11. During the Relevant Period, Respondent did not pay PF a salary. Rather, he compensated PF on an "ad hoc" or unsystematic basis including by periodically paying a personal expense for her and periodically giving her money. In addition, as detailed below, on three occasions Respondent paid PF the portion of a commission he had earned from the sale of a security to three investors.
12. On or about August 29, 2011, Respondent effected, or caused to be effected, the purchase of a security, specifically a variable annuity, for MT. The purchase amount was approximately \$49,290.
13. On or about October 5, 2011, Respondent issued a check (no. 8296) drawn on his business checking account to PF in the amount of \$937.50. The check reflected in the memo area, "[MT] Variable Annuity Commission." PF negotiated the check.
14. Respondent intended for the check to constitute, and the check constituted, the payment to PF of a portion of the total commission Respondent had earned on the sale of the variable annuity to MT.

15. On or about September 20, 2011, Respondent effected, or caused to be effected, the purchase of a security, specifically a variable annuity, for AF. The purchase amount was approximately \$239,850.
16. On about October 19, 2011, Respondent issued a check (no. 8299) drawn on his business checking account to PF in the amount of \$3,334.81. The check reflected in the memo area, "[AF] VA commissions." PF negotiated the check.
17. Respondent intended for the check to constitute, and the check constituted, the payment of a portion of the total commission Respondent had earned on the sale of the variable annuity to AF.
18. On or about February 20, 2012, Respondent effected, or caused to be effected, the purchase of a security, specifically a variable annuity, for LF. The purchase amount was approximately \$71,000.
19. On or about March 6, 2012, Respondent issued a check (no. 8357) drawn on his business checking account to PF in the amount of \$450.00. PF negotiated the check.
20. Respondent intended for the check to constitute, and the check constituted, the payment of a portion of the total commission Respondent had earned on the sale of the variable annuity to LF.
21. MT, AF and LF were former customers of PF.
22. By reason of the foregoing, Respondent violated NASD Conduct Rule 2420 and Rule 2010.

**Causing Materially False or Misleading Information to
Be Provided to FINRA
(Rule 2010)**

23. On about March 22, 2012, the Staff commenced a branch examination of Respondent's office.
24. During the branch examination, the Staff questioned Respondent about PF's compensation.
25. Respondent told the Staff, in substance, that he compensated PF by paying personal expenses for her.
26. The Staff then orally requested a written statement from Respondent identifying the expenses he had paid for PF. Respondent provided the Staff a signed letter dated March 28, 2012. The letter stated: "Pursuant to your request, attached is a list of the expenses that I have paid on behalf of [PF] since . . . October 2009."
27. He attached a separate page that listed four payments he had made on her behalf that totaled about \$11,182. Over \$6,180 constituted the payment of legal expenses for PF. The letter said nothing about commission payments to, or about sharing commissions on securities transactions with, PF.
28. On or about April 5, 2012, the Staff sent an email to FFS's Chief Compliance Officer ("CCO") requesting a written statement from PF "regarding expenses paid by Gerry Veydt." Respondent learned about the request from PF or the CCO or both.
29. On or about April 18, the Staff received an email from FFS's CCO to which she had attached a letter dated April 18, 2012 (the "Letter") bearing PF's signature.

30. In fact, Respondent prepared the Letter, presented it to PF to sign and obtained her signature on it. After obtaining PF's signature on the Letter, Respondent transmitted the Letter to FFS's CCO knowing that the CCO intended to submit the Letter to FINRA. Respondent thereby caused the Letter to be submitted to FINRA.
31. The Letter acknowledged that FFS's CCO had asked her (PF) to provide FINRA Staff a list of expenses, Respondent had paid for her. Among other things, the Letter stated: "I have been preparing to take the Series 6 exam and working as an administrative assistant for Gerald Veydt. During this time, I have received no commission income."
32. Respondent knew or should have known when he obtained PF's signature on the Letter and when he transmitted the Letter to FFS's CCO for submission to FINRA that the sentence, "During this time, I have received no commission income" was materially false and/or misleading since on three occasions from about October 5, 2011 to about March 6, 2012, Respondent had paid PF a portion of the commission he had received from three securities transactions.
33. In addition, the Letter Respondent prepared for PF listed five expenses totaling about \$11,357 that Respondent had paid on PF's behalf including payments of over \$6,180 that constituted legal expenses. The Letter closed with the sentence, "This is the extent of the compensation I have received from Mr. Veydt."
34. Respondent knew or should have known when he obtained PF's signature on the Letter and when he transmitted the Letter to FFS's CCO for submission to FINRA that this sentence was materially false and/or misleading since from about

October 5, 2011 to about March 6, 2012, Respondent had paid PF approximately \$4,722 in commissions he had received from securities transactions that in substance and effect constituted compensation to PF.

35. By reason of the foregoing, Respondent violated Rule 2010.

Based on the foregoing, Respondent violated NASD Conduct Rule 2420 and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended for six-months from association with any FINRA member in any and all capacities and fined \$10,000.

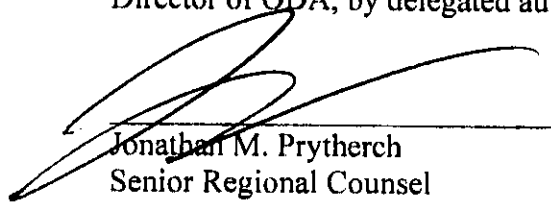
Respondent agrees to pay the monetary sanction upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read 'Jonathan M. Prytherch', is written over a horizontal line.

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