

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

Department of Enforcement,

Complainant,

v.

Artak Daldumyan (CRD No. 2818761),

Respondent.

DISCIPLINARY PROCEEDING

No. 2012033074202

Hearing Officer—LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: March 19, 2015

INTRODUCTION

Disciplinary Proceeding No. 2012033074202 was filed on August 13, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Artak Daldumyan submitted an Offer of Settlement (Offer) to Complainant dated March 10, 2015. 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

Artak Daldumyan was employed in the securities industry from 1996 through August 2012. Daldumyan was associated with Transamerica Financial Advisors, Inc., or its predecessors ("TFA"), for the entire period. During his association with TFA, Daldumyan was registered as an Investment Company Products and Variable Contracts Representative (Series 6), an Investment Company Products and Variable Contracts Principal (Series 26), and a State Agent (Series 63). From 2002 to early 2012, Daldumyan was a Branch Manager and headed an Office of Supervisory Jurisdiction for TFA.

The firm terminated Daldumyan's employment on August 14, 2012. On August 16, 2012, the firm filed a Form U5 reporting that it discharged Daldumyan after determining that he "had participated in 1) unapproved outside business activities, 2) unapproved private securities transactions, and 3) unapproved personal investments."

Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the filing of Daldumyan's Form U5, namely, August 16, 2012; and (2) the Complaint charges him with misconduct committed while he was registered with a FINRA member.

FINDINGS AND CONCLUSIONS

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

SUMMARY

In 2010, Artak Daldumyan made personal investments in a real estate limited liability company (LLC) and a private placement in a small, local bank, without previously disclosing the transactions to his firm, Transamerica Financial Advisors (“TFA”). Furthermore, at various times between 2004 and 2012, without prompt disclosure to TFA, Daldumyan: (1) worked as a licensed real estate agent; (2) incorporated and ran a charitable company; (3) engaged in marketing activities for an Armenian resort property; and (4) became a member of the board of directors of the small, local bank. Finally, Daldumyan failed to disclose an unpaid lien on his Form U4 between 2011 and 2012.

By making the undisclosed investments in the LLC and bank, Daldumyan engaged in unauthorized private securities transactions in violation of NASD Rule 3040 and FINRA Rule 2010.

By engaging in activities with four businesses without promptly informing TFA, Daldumyan participated in undisclosed outside business activities in violation of NASD Rule 3030, FINRA Rule 3270, NASD Rule 2110 and FINRA Rule 2010.

By failing to update his Form U4 to reflect an unpaid lien, Daldumyan violated Article V, Section 2 of FINRA’s By-Laws, FINRA Rule 1122, and FINRA Rule 2010.

Failure to Timely Disclose Private Securities Transactions

In January 2010, Daldumyan invested \$315,000 in 199 RR, a limited liability company, for which he received a 35% ownership stake. The 199 RR investment was made outside the scope of Daldumyan’s employment with TFA.

199 RR was formed to purchase a piece of real estate and manage the property, which was leased to a gas station and car wash.

There were three other investor-members of 199 RR, one of whom was personally

responsible for improving and maintaining the property. Each investor was entitled to profits or losses equal to his ownership stake in 199 RR.

Daldumyan failed to disclose his investment in 199 RR to his firm until May 2012, when he submitted an OBA Disclosure Form on which he incorrectly characterized the investment as an outside business activity. In July 2012, Daldumyan disclosed his investment in the LLC as a private securities transaction on a Personal Investment Disclosure Form he submitted to TFA.

On or before June 9, 2010, in conjunction with joining the board of directors of GSB, a small, local bank, Daldumyan invested \$100,000 via a private placement in the bank in return for 50,000 shares of stock. The stock purchase was made outside the scope of Daldumyan's employment with TFA.

Daldumyan did not disclose his investment in GSB until June 2011, when he completed an OBA Disclosure Form indicating that he had joined the GSB's board of directors and had invested \$100,000 in the bank at an unspecified date.

Failure to Timely Disclose Outside Business Activities

Daldumyan obtained his real estate license in 2004 and worked with two real estate companies during his affiliation with TFA: RM from September 2004 to March 2012, and CR from March 2012 to May 2012.

Daldumyan failed to provide TFA with written notice that he was a licensed real estate agent working with a real estate agency until May 2012.

Daldumyan incorporated DI, a nonprofit company intended to provide assistance and education to Armenian orphans, in May 2005. The company was funded by Daldumyan and members of his family. Daldumyan opened and managed a bank account for DI and DI's address was his home address.

Daldumyan failed to provide written notice of his involvement with DI to TFA until May 2012.

Starting in October 2007, Daldumyan engaged in marketing activities for NS, a resort development in Armenia in which he had purchased two condominium units.

Daldumyan's marketing activities on behalf of NS included the creation of a model of the resort, which Daldumyan placed in an office on the same floor as his TFA office. Daldumyan maintained marketing brochures for the resort, which contained Daldumyan's telephone number under a heading for the resort's contact information, next to the model. He also registered a website through which he marketed NS, was listed with the website registrar as an administrative and technical contact, and, on the website itself, provided his phone number for contacting the resort.

Daldumyan failed to provide TFA with written notice of his marketing activities with NS at any time.

As described above, in or about June 2010, Daldumyan initiated the process of becoming a member of the board of directors of GSB, and completed an extensive application package. His appointment to the board was subject to, and received, approval by the FDIC in addition to the bank itself.

During the second quarter of 2011 Daldumyan began serving on GSB's board of directors and began receiving \$1000 per month as compensation.

Daldumyan failed to provide TFA with written notice regarding his involvement with GSB until June 2011.

Failure to Disclose Lien

A judgment lien was filed against Daldumyan and a business belonging to him on March

2, 2011, in Los Angeles County, California. The lien related to a defaulted mortgage.

Daldumyan received notice of the lien in March 2011. However, he failed to disclose the lien on his Form U4.

**FIRST CAUSE OF ACTION
FAILURE TO TIMELY DISCLOSE PRIVATE SECURITIES TRANSACTIONS
(VIOLATION OF NASD RULE 3040 AND FINRA RULE 2010)**

NASD Rule 3040 specifies that an associated person may not participate in a private securities transaction without prior written notice to his or her member firm. Daldumyan's investments in 199 RR and GSB constituted securities transactions, and both were outside the scope of his employment.

By engaging in two private securities transactions without prior written notice to his firm, Daldumyan violated NASD Rule 3040, and as a result thereof violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
FAILURE TO TIMELY DISCLOSE OUTSIDE BUSINESS ACTIVITIES
(VIOLATION OF NASD RULES 3030 AND 2110 AND FINRA RULES 3270 AND 2010)**

FINRA Rule 3270 (formerly NASD Rule 3030) governs outside business activities and provides that no registered person shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prior written notice to the member.¹ A person violates Rule 3270 when he or she fails to disclose the outside business activity, promptly and in writing, to the firm.

By failing to provide TFA with written notice of his involvement with RM from September 2004 to March 2012 and with CR from March 2012 to May 2012, Daldumyan

¹ FINRA Rule 3270 superseded NASD Rule 3030 effective December 15, 2010. NASD Rule 3030 prohibited registered persons from being "employed by, or accept[ing] compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member."

violated NASD Rule 3030 for the period between September 2004 and December 14, 2010, and FINRA Rule 3270 for the period December 15, 2010 to May 2012. By virtue of these violations, Daldumyan also violated NASD Rule 2110 prior to December 15, 2008, and FINRA Rule 2010 thereafter.²

By failing to provide prompt or prior written notice to his firm of his involvement with DI from May 2005 to May 2012, Daldumyan violated NASD Rule 3030 for the period between May 2005 and December 14, 2010, and FINRA Rule 3270 for the period between December 15, 2010 and May 2012. As a result of violating NASD Rule 3030 and FINRA Rule 3270, Daldumyan also violated NASD Rule 2110 prior to December 15, 2008, and FINRA Rule 2010 thereafter.

By failing to provide any written notice to his firm of his involvement with NS from October 2007 through August 14, 2012, Daldumyan violated NASD Rule 3030 for the period between October 2007 and December 14, 2010, and FINRA Rule 3270 for the period between December 15, 2010 and August 2012. As a result of violating NASD Rule 3030 and FINRA Rule 3270, Daldumyan also violated NASD Rule 2110 prior to December 15, 2008, and FINRA Rule 2010 thereafter.

By failing to provide prompt or prior written notice to his firm of his involvement with GSB from June 2010 to June 2011, Daldumyan violated NASD Rule 3030 for the period between June 2010 and December 14, 2010, and FINRA Rule 3270 for the period between December 15, 2010 and June 2011. As a result of violating NASD Rule 3030 and FINRA Rule 3270, Daldumyan also violated FINRA Rule 2010.

² FINRA Rule 2010 superseded NASD Rule 2110 effective December 14, 2008.

**THIRD CAUSE OF ACTION
FAILURE TO DISCLOSE LIEN
(VIOLATION OF ARTICLE V, SECTION 2(C) OF FINRA'S
BY-LAWS, AND FINRA RULES 1122 AND 2010)**

Article V, Section 2(c) of FINRA's By-Laws requires that an individual's Form U4 be kept current at all times by supplementary amendments, to be made within 30 days after learning of the facts or circumstances giving rise to an amendment.

FINRA Rule 1122 requires associated persons to correct information in any filing made with FINRA concerning their registration that has become incomplete or inaccurate so as to be misleading. The Form U4 application for registration asks associated persons to indicate whether they have any unsatisfied judgments or liens against them, and if so, additional details must be disclosed.

Accordingly, by failing to update his Form U4 to reflect an unpaid lien, Daldumyan violated Article V, Section 2 of FINRA's By-Laws, FINRA Rule 1122, and FINRA Rule 2010.

Based on the foregoing, Respondent violated NASD Rules 2110, 3030, and 3040, and FINRA Rules 1122, 2010, and 3270, and Article V, Section 2 of FINRA's By-Laws.

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:

- fined in the amount of \$12,500, and
- suspended from associating with any FINRA member in any capacity for a period of

ten months.

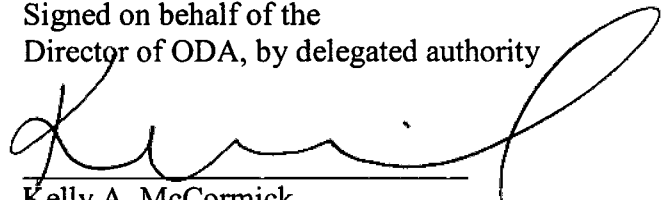
The fine shall be due and payable either immediately upon reassociation with a member firm following the ten-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 dark ink, appearing to read 'K. McCormick', written over a horizontal line.

Kelly A. McCormick
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