

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SCOTT HOWARD ALTMAN,  
(CRD No. 1017265)

Respondent.

Disciplinary Proceeding  
No. 2012033296801

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. On two dates in May 2012, Scott Howard Altman ("Altman" or "Respondent"), then a registered representative at Wells Fargo Advisors, LLC ("Wells Fargo" or the "Firm"), received wire transfer requests from a customer's ("Customer PP") personal email address requesting that over \$100,000 in cash be sent to third-party bank accounts in Illinois and Malaysia. Respondent failed to contact the customer in order to confirm the email instructions, but chose nevertheless to fund the email requests. In actuality, the email requests were from an imposter (the "Imposter"). On two days in May 2012, Respondent effected unauthorized securities sales from Customer PP's account. In addition, Respondent mismarked the subject trade orders, causing the Firm to maintain inaccurate books and records.

## RESPONDENT AND JURISDICTION

2. Respondent entered the securities industry in November 1987, when he became associated with a FINRA-regulated entity. Between November 1987 and March 2008, Respondent was associated in a registered capacity with various FINRA-regulated entities. From March 2008 until his termination in June 2012, Respondent was associated with Wells Fargo, a FINRA-regulated entity, as a General Securities Representative. Respondent is currently registered with another FINRA-regulated entity as a General Securities Representative.
3. Respondent remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of the FINRA-By-Laws.

## STATEMENT OF FACTS

### The May 7, 2012 Trades and Wire Transfer

4. On May 7, 2012, Respondent received an email from Customer PP's personal email address. Customer PP resided in Mercer Island, Washington. The email was sent by the Imposter and not Customer PP. The email requested Customer PP's account balances, which Respondent provided, stating, "[p]lease let me know if you need to do something."
5. On the same day, Respondent received a second email from the Imposter asking Respondent to email information required to initiate an outgoing domestic wire transfer. Respondent referred the request to his sales assistant (the "Sales Assistant") and assigned her the task of providing the necessary information and processing the wire transfer request when it was received.
6. The Sales Assistant emailed Respondent to inform him that the Imposter requested a wire transfer in the amount of \$27,530. The Sales Assistant's email directed Respondent to "please sell securities."

7. Respondent did not confirm the transfer request or the sell order with the customer, nor did he confirm that the assistant had spoken to the customer.
8. The Firm prohibits any securities transactions based on emails and requires brokers to confirm trading instructions verbally with a customer when receiving email instructions.
9. The amount of the requested wire transfer was greater than the available cash in Customer PP's account. Respondent decided unilaterally to sell the following mutual funds, rather than other investments in PP's account without first obtaining authorization from Customer PP:
  - a. 849.118 shares of ABC Fund at \$15.31 per share for a total of \$13,000; and
  - b. 1,240.458 shares of DEF Fund at \$10.48 per share for a total of \$13,000.
10. Although Respondent determined which funds to liquidate without first discussing the decision with Customer PP, he falsely identified the mutual fund liquidations as "unsolicited" on the trade confirmations, thereby implying that Customer PP had spoken to him and authorized the sale of the two mutual funds.
11. From the proceeds of the mutual fund sales and the available cash in the account, the Sales Assistant initiated a wire transfer for \$27,530 from Customer PP's account to a Bank account not associated with Customer PP in Springfield, Illinois.

*The May 9, 2012 Trades and Wire Transfer*

12. On May 9, 2012, the Sales Assistant received an email from Customer PP's personal email account, asking what information was needed to initiate an outgoing international wire transfer. The email was sent by the Imposter and not Customer PP.
13. The Sales Assistant verbally informed Respondent of the request.
14. Respondent discussed this wire request with the Sales Assistant and instructed her to process the service request, despite the fact Respondent had not confirmed the request himself with

the customer and despite the fact that Respondent had not confirmed that the Sales Assistant had spoken to the customer. The Imposter sent Sales Assistant the necessary information requesting a wire transfer in the amount of \$85,500.

15. The amount of the requested wire transfer was greater than the available cash in Customer PP's account. Respondent decided unilaterally to sell the following mutual funds, rather than other investments in the account, without first obtaining authorization from Customer PP:

- a. 600 shares of GHI Fund at \$75.5081 per share for a total of \$43,504.86; and
- b. 600 shares of JKL Fund at \$68.4408 per share for a total of \$41,064.48.

16. Although Respondent determined which funds to liquidate without first discussing the decision with Customer PP, he falsely identified the mutual fund liquidations as "unsolicited" on the trade confirmations, thereby implying that Customer PP had spoken to him and authorized the sale of the two mutual funds.

17. From the proceeds of the mutual fund sales and the available cash in the account, the Sales Assistant initiated a wire transfer for \$85,500 from Customer PP's account to an account not associated with Customer PP in Selango, Malaysia.

18. On the morning of May 9, 2012, for the first time since receiving the fraudulent email request on May 7, Respondent attempted to contact the customer, and left her a voice mail at approximately 9 a.m.

19. During the afternoon of May 9, 2012, Customer PP called and informed Respondent that the emails sent from Customer PP's personal email account requesting the wire transfers were fraudulent.

20. After the fraud was discovered, Wells Fargo recovered all of the money that was wired out to both the Illinois bank and the Malaysian bank.

**FIRST CAUSE OF ACTION  
FINRA RULE 2010  
(UNAUTHORIZED TRADING)**

21. The Department realleges and incorporates by reference paragraphs 1 through 20 above.
22. FINRA Rule 2010 states that a member or associated person “in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”  
Effecting unauthorized transactions constitutes a violation of FINRA Rule 2010.
23. On May 7, 2012, Respondent effected two mutual fund sales in Customer PP’s account without first discussing the transactions with Customer PP or receiving authorization to effect the transactions from Customer PP or any person with authority over the account.
24. Again on May 9, 2012, Respondent effected two additional mutual fund sales in Customer PP’s account without first discussing the transactions with Customer PP or receiving the authorization to effect the transactions from Customer PP or any person with authority over the account.
25. Respondent thereby engaged in unauthorized trading, and his conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade.
26. By reason of the foregoing, Respondent violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION  
FINRA RULES 4511 AND 2010  
(CAUSING THE FIRM TO MAINTAIN INACCURATE BOOKS AND RECORDS)**

27. The Department realleges and incorporates by reference paragraphs 1 through 28 above.
28. FINRA Rule 4511 provides, in part, that “each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by Exchange Act Rule 17a-3.”

29. Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3(a)(6) thereunder requires member Firms to maintain, among other things “a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. . . [and] an order entered pursuant to the exercise of discretionary authority by the member, broker or dealer, or associated person thereof, shall be so designated.”
30. Between May 7, 2012 and May 9, 2012, Respondent effected four sales in Customer PP’s account and caused each transaction to be designated as unsolicited when in fact the transactions were not unsolicited orders from the customer.
31. By designating orders for unauthorized, solicited trades as “unsolicited,” Respondent caused the books and records, including trade confirmations, of the Firm to contain false and erroneous information.
32. Respondent’s conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade.
33. By reason of the foregoing, Respondent violated FINRA Rules 4511 and 2010.

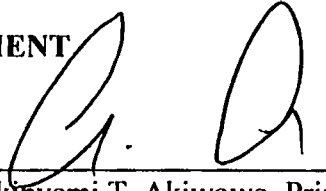
### **RELIEF REQUESTED**

**WHEREFORE**, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

**FINRA DEPARTMENT OF ENFORCEMENT**

Date: 6/5/14



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