

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034029401**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Denny Darmodihardjo, Respondent
General Securities Representative
CRD No. 2589997

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Respondent Denny Darmodihardjo ("Respondent") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Respondent first became registered with FINRA as a General Securities Representative ("GSR") on or about April 13, 1995 through a FINRA member firm. From approximately December 27, 2006 through August 28, 2015, Respondent was registered with FINRA as a GSR through member firm Rockwell Global Capital LLC ("Rockwell"). On August 28, 2015, Rockwell filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") for Respondent terminating his registration. Respondent is not currently associated with any FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

In January 2014, FINRA issued a Letter of Acceptance, Waiver and Consent, through which Respondent consented to the entry of findings that he failed to timely disclose an outstanding tax lien. Respondent was suspended for 30 days in all capacities and fined \$2,500.

OVERVIEW

Between September 2009 and July 2011, Respondent (1) engaged in excessive trading of three accounts owned by customer AG, in violation of NASD Conduct Rule 2310 and FINRA Rule 2010, and (2) recommended unsuitable short-selling and margin use in transactions for the same customer also, in violation of NASD Conduct Rule 2310 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Excessive Trading

Excessive trading occurs when a registered representative exercises control over a customer's account and the level of activity in that account is inconsistent with the customer's investment objectives, financial situation, and needs. Excessive trading violates FINRA's suitability standards under NASD Conduct Rule 2310.

Excessive trading is generally measured by the turnover rate, which is the number of times the value of the account is turned over within a given period of time, and the cost-to-equity ratio, which represents the percentage of return on the customer's average net equity needed to pay commissions and other account expenses over a given period of time.

During the relevant time period, Respondent made the recommendations for the three accounts of customer AG who, at the time, was a retiree in his late 70s living on a fixed income and caring for his adult child. He used this control to excessively trade these accounts in a manner that was inconsistent with AG's investment objectives, financial situation, and needs. The accounts performed as follows:

- Account #1: From September 2009 through December 2010, Respondent recommended trades in the account resulting in a turnover rate of 38.71 and a cost-to-equity ratio of 108.91%. Account #1 suffered losses of approximately \$60,000, was charged close to \$69,000 in commissions and over \$8,000 in additional fees and margin fees.
- Account #2: From January 2010 through August 2011, Respondent recommended trades in the account resulting in turnover rate of 23.16 and a cost-to-equity ratio of 73.66%. Account #2 suffered losses of close to \$84,000, was charged approximately \$59,000 in commissions and over \$8,500 in additional fees and margin fees.
- Account #3: From February 2010 through August 2011, Respondent recommended trades in the account resulting in a turnover rate of 7.89 and a cost-to-equity ratio of 31.04%. Account #3 suffered losses of approximately \$12,225, and was charged more than \$13,500 in

commissions.

By reason of the foregoing, Respondent engaged in excessive and unsuitable trading in violation of NASD Conduct Rule 2310 and FINRA Rule 2010.

Unsuitable Margin Trading and Short-Sales

During the relevant period, Respondent recommended that customer AG trade on margin and engage in active trading including short-selling securities. At the time the recommendations were made, AG had only limited experience with trading on margin and no prior investment experience with short-sales. The recommendations were inconsistent with AG's stated risk tolerance and investment objectives. Nevertheless, Respondent engaged in unsuitable short sales and margin trading in both Accounts #1 and #2. In October 2010 alone, Respondent executed thirteen short sales in Account #1 accounting for approximately \$897,057 traded on margin. As a result of the short sales and purchases on margin, Account #1 experienced four federal margin calls in October 2010. In the face of the losses being incurred in AG's accounts, Respondent did not cease the active trading strategy. In February 2011, 97% of all purchases made in Account #2 were on margin and resulted in further losses for the account. Account #2 continued suffering losses, incurring over \$1,000 in margin fees.

By reason of the foregoing, Respondent made unsuitable recommendations for margin use and short-selling in violation of NASD Conduct Rule 2310 and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- An eighteen (18) month suspension in all capacities from association with any FINRA member firm; and,
- A \$25,000 fine.

The fine shall be due and payable either immediately upon re-association with a member firm following the eighteen (18) 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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member

in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (*see* FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of

the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

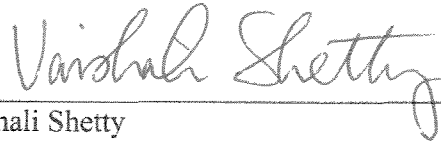
09/16/2015
Date (mm/dd/yyyy)


Respondent Denny Darmodihardjo

Accepted by FINRA:

10/14/15
Date

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



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