

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

ERIC ANDREW JACOBS (CRD No. 5907784),

RESPONDENT.

DISCIPLINARY PROCEEDING
No. 2012034284301

Hearing Officer:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. On May 2, 2012, while registered with FINRA through member firm Citigroup Global Markets, Inc. ("CGMI" or the "Firm"), Respondent Eric Andrew Jacobs, a research analyst at the Firm, disseminated confidential information concerning Facebook, Inc. ("Facebook") by e-mail to two individuals outside of CGMI. Jacobs disseminated that confidential information, which was draft research about Facebook that had not been published by CGMI, approximately two weeks before Facebook's initial public offering ("IPO"). Citigroup, Inc., an affiliate of CGMI, was a member of the underwriting syndicate for Facebook's IPO. Jacobs did not have approval from the Firm to disseminate that confidential information on or about May 2, 2012.
2. By disseminating confidential information, without approval to do so, Jacobs failed to observe high standards of commercial honor and just and equitable principles of trade in violation FINRA Rule 2010.

RESPONDENT AND JURISDICTION

3. From on or about April 1, 2011 through on or about October 16, 2012, Jacobs was registered with FINRA through an association with CGMI as a General Securities Representative. From on or about September 28, 2011 through on or about October 16, 2012, Jacobs was additionally registered with FINRA as a Research Analyst through his association with the Firm. 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 effective date of termination of Respondent's registration with CGMI, namely, October 16, 2012; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

BACKGROUND

Jacobs's Responsibilities at CGMI

4. Jacobs was an Equity Research Associate at CGMI. His research group was based in San Francisco, California, and it included two other research analysts and a senior analyst, MSM.

5. Among other things, Jacobs's research group at CGMI monitored market events and published research concerning approximately 30 publicly listed companies.

6. As an Equity Research Associate, Jacobs's responsibilities included, among other things, the preparation of draft research concerning companies covered by his research group.

The Facebook IPO and CGMI's Coverage of Facebook

7. Facebook planned an IPO in 2012. That IPO ultimately took place on May 18, 2012, when Facebook began trading under the ticker symbol "FB."

8. On March 5, 2012, Facebook engaged Citigroup, Inc., an affiliate of CGMI, as one of the underwriters participating in Facebook's IPO.

9. CGMI intended to initiate coverage of Facebook after that company's IPO. On or about June 27, 2012, CGMI did so, issuing its first research report about Facebook.

CGMI's Draft Facebook One-Pager

10. In or about March or April 2012, MSM, the senior analyst in Jacobs's research group at CGMI, tasked Jacobs with assisting in the Firm's initial written research notes concerning Facebook. CGMI referred to such notes as "One-Pagers."

11. A One-Pager was a preliminary overview, intended as a quick "snapshot" of CGMI's thoughts on a company as it was preparing to cover that company. In 2012, the ordinary practice in Jacobs's research group was that after any One-Pager was reviewed and revised by members of that group, including MSM, it was used by MSM for talking points on a conference call with CGMI's institutional sales team and might also be used for talking points by the research group in follow-up calls or calls with the Firm's clients.

12. In or about mid-April 2012, Jacobs began to work on CGMI's draft One-Pager for Facebook (the "Facebook One-Pager"). To do so, he reviewed data and information about Facebook from a variety of sources, such as Facebook's Registration Statement on Form S-1 and a number of fee-based or subscription news and analytical sources.

13. By May 2, 2012, Jacobs had created a first draft of the Facebook One-Pager. This first draft Facebook One-Pager included data and information that Jacobs selected and organized into a summary narrative, followed by a series of numbered items reflecting Jacobs's opinion and his analysis of those facts. These items appeared under headings of "Investment Positives" and "Investment Risks."

FIRST CAUSE OF ACTION

(Unauthorized Dissemination of Confidential Information (FINRA Rule 2010))

14. The Department realleges and incorporates by reference paragraphs 1 through 13 above.

15. On May 2, 2012, Jacobs sent an e-mail, with the subject line "Thoughts on FB one pager," from his CGMI e-mail address (the "May 2 E-Mail") to two individuals outside of CGMI, JC and KMC. In that e-mail, "FB" was a reference to Facebook. JC and KMC were journalists at an on-line technology blog, TC. JC and KMC were friends of Jacobs's and he considered them to be "experts" on Facebook.

16. Jacobs wrote to JC and KMC in his May 2 E-Mail:

I'm ramping up coverage on FB and thought you guys might like to see how the street is thinking about it (and our estimates). Any feedback on the investment positives and risks would be super helpful. I want to make sure I'm thinking about this the right way.
This, of course, is confidential.

17. Jacobs attached to his May 2 E-Mail a copy of the Facebook One-Pager.

18. The Facebook One-Pager was not a public document at the time that Jacobs sent it to JC and KMC as an attachment to his May 2 E-Mail. At that time, the Facebook One-Pager contained CGMI's confidential, non-public information and analysis about Facebook.

19. On or before May 2, 2012, Jacobs did not request and he did not have approval from CGMI to disseminate the Facebook One-Pager outside of the Firm or to send his May 2 E-Mail to JC or KMC.

20. CGMI had at least four different policies that prohibited the disclosure of confidential information. These policies were distributed to Jacobs well before he sent the May 2 E-Mail, putting Jacobs on notice that the information should not have been disclosed.

21. By reason of the foregoing, Jacobs disseminated CGMI's confidential information without the Firm's approval to do so, and in so doing failed to observe high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

RELIEF REQUESTED

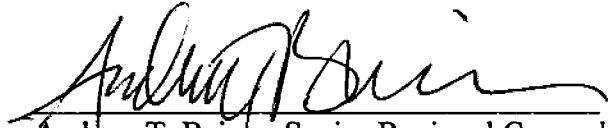
WHEREFORE, the Department respectfully requests that the Panel:

- 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: May 9, 2014



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