

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035245701**

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

RE: Brian J. Hagerman, Respondent
Former General Securities Principal
CRD No. 2115892

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 Brian J. Hagerman first entered the securities industry as a General Securities Representative (Series 7) in March 1991. He became registered with FINRA member firm Global Arena Capital Corp. ("Global Arena" or the "firm") as a General Securities Representative and General Securities Principal (Series 24) in July 2005. He was the firm's President between June 2006 and August 2014 and its Chief Compliance Officer ("CCO") between June 2006 and November 2014. Hagerman's registration with FINRA through Global Arena was terminated on November 18, 2014. Although Hagerman is not currently registered with any FINRA member firm, FINRA retains jurisdiction over him pursuant to Article V, Section 4, of the FINRA By-Laws.

OVERVIEW

From January 2011 through August 2014, Hagerman, as Global Arena's President, CCO, and Anti-Money Laundering Compliance Officer ("AMLCO"), failed to (i) supervise several aspects of the firm's business; (ii) establish,

maintain, and enforce reasonable supervisory policies and procedures; and (iii) develop and implement a reasonable Anti-Money Laundering Compliance Program, in violation of NASD Rule 3010¹ and FINRA Rules 3310 and 2010.

Additionally, between March 2011 and October 2012, Hagerman failed to supervise private securities transactions of the firm's Chief Executive Officer ("CEO") in violation of NASD Rules 3010 and 3040² and FINRA Rule 2010.

Finally, during the period October 2009 through November 2014, Hagerman willfully failed to disclose two civil judgments on his Form U4, in violation of Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

Failure to Supervise and Failure to Establish and Implement a Reasonable Supervisory System

As Global Arena's President, Hagerman was ultimately responsible for supervision at the firm. He was also the designated supervisor of the firm's branch managers and its CEO. In addition, as the firm's CCO, he was responsible for establishing, implementing, and maintaining the firm's supervisory system and written supervisory procedures. The firm's supervisory procedures also designated him as individually responsible for numerous supervisory reviews.

Between January 2011 and August 2014, Hagerman failed to reasonably supervise the firm's activities in the following respects: (i) he allowed third-party wire transfers to be transmitted to and from customer accounts without any meaningful review; (ii) he allowed numerous customer accounts to remain open and unrestricted despite missing customer identification documentation; (iii) he allowed branch managers to approve trades without meaningful review, even when the accounts were flagged by the firm's electronic systems for exceeding thresholds designed to detect excessive trading; and (iv) he performed insufficient due diligence on physical certificates and restricted securities.

During the same time period, Hagerman also failed to establish and maintain a reasonable supervisory system to: (i) review and verify new account opening documents; (ii) monitor and investigate trade exception alerts; (iii) monitor and review deliveries and deposits of stock certificates; (iv) monitor and review third-party wire transfers; and (v) monitor and review the firm's acceptance and resale of restricted securities.

NASD Rule 3010 requires members to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations, as well as NASD and FINRA rules.

¹ Effective December 1, 2014, NASD Rule 3010 was replaced by FINRA Rule 3110.

² Effective September 21, 2015, NASD Rule 3040 was replaced by FINRA Rule 3280.

By failing to supervise, and by failing to establish and maintain a system reasonably designed to supervise the activities listed above, Hagerman violated NASD Rule 3010. By virtue of violating NASD Rule 3010, Hagerman also violated FINRA Rule 2010, which requires members to observe high standards of commercial honor and just and equitable principles of trade.

Failure to Establish and Implement Reasonable AML Policies and Procedures

Between January 2011 and November 2014, while acting as the firm's CCO and AMLCO, Hagerman was responsible for developing and implementing the firm's Anti-Money Laundering Program. Hagerman failed, however, to tailor the firm's AML policies and procedures to address the money-laundering risks specific to the firm's business. The procedures failed to: (i) identify the AML-related compliance role(s) firm principals would fulfill; (ii) identify individual(s) responsible for monitoring accounts for suspicious activity; and (iii) include specific guidelines for detecting and reporting suspicious activity.

Hagerman also failed to implement any electronic systems or reports that were reasonably designed to identify potentially suspicious activity. Instead, the firm relied on manual reviews of daily trade reports and monthly wire activity to detect potentially suspicious account activity and money movements. Given, among other things, the volume of trade activity, a manual review was unreasonable in these circumstances.

Hagerman also failed to reasonably investigate potentially suspicious activity, including liquidations of low-priced securities, even when he was notified of the potentially suspicious activity by Global Arena's clearing firm.

FINRA Rule 3310 requires all member firms to develop and implement a written AML compliance program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*) and the implementing regulations thereunder, and to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.

By failing to establish and implement reasonable AML policies and procedures, Hagerman violated FINRA Rules 3310 and 2010.

Failure to Supervise Private Securities Transactions

Between March 2011 and October 2012, the firm's CEO, JM, sold approximately \$1.8 million in convertible promissory notes issued by the firm's parent company to 16 investors, some of whom were firm customers. JM received expense

reimbursements in connection with the sales, and a portion of his compensation was paid with the proceeds of the sales.

Hagerman, JM's supervisor and the firm's President and CCO at the time, knew that JM was selling the promissory notes to investors. Hagerman, however, failed to: (i) supervise the sales; (ii) ensure that the notes were recorded on the books and records of the firm; or (iii) ensure that JM requested and received approval of the transactions in writing from the firm, as required by NASD Rule 3040.

NASD Rule 3040 prohibits associated persons from participating in any manner in any private securities transaction unless they provide prior written notice to their member firm describing in detail the proposed transaction, and requires the firm to provide written approval if the associated person may or has received selling compensation as a result of the purchase or sale of the securities. Additionally, as noted above, NASD Rule 3010 requires member firms to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations, as well as NASD and FINRA rules.

By failing to supervise JM's private securities transactions and ensure that they complied with the requirements of NASD Rule 3040, Hagerman violated NASD Rules 3010 and 3040, and FINRA Rule 2010.

Failure to Disclose Civil Judgments

Between October 2009 and November 2014, as Global Arena's CCO, Hagerman was responsible for inputting Form U4 and U5 updates into the Central Registration Depository on behalf of Global Arena and its employees. In spite of his experience reporting unsatisfied judgments and liens on the Form U4, Hagerman failed to disclose on his Form U4 a \$10,176 civil judgment entered against him on October 15, 2009, and a \$2,852 civil judgment entered against him on December 17, 2009.

Article V, Section 2(c) of the FINRA By-Laws requires that Form U4 be kept current by making amendments no later than 30 days after learning of the facts or circumstances giving rise to the amendment. Question 14M on Form U4 requires registered persons to disclose unsatisfied judgments and liens.

By willfully failing to disclose two judgments totaling \$13,028 on his Form U4, Hagerman violated Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010.

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

- A two-year suspension from associating with any FINRA member in any capacity;

- A fine of \$30,000; and,
- A requirement to requalify as a General Securities Principal by passing the series 24 examination, prior to association with any FINRA member firm as a General Securities Principal following the suspension.

I understand that if I am 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 suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

The fine shall be due and payable either immediately upon reassociation with a member firm following the four-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.

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

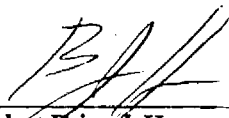
I understand that:

- 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.

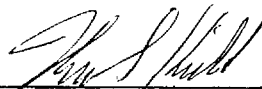
03/09/2016
Date (mm/dd/yyyy)


Respondent Brian J. Hagerman

Accepted by FINRA:

4/7/16
Date

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


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