

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

Department of Enforcement,

Complainant,

v.

James M. Katayanagi,
CRD No. 4890437,

Respondent.

Disciplinary Proceeding
No. 2013035572001

Hearing Officer – Lucinda O. McConathy

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: August 13, 2014

INTRODUCTION

Disciplinary Proceeding No. 2013035572001 was filed on June 24, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent James M. Katayanagi (“Katayanagi” or “Respondent”) submitted an Offer of Settlement (Offer) to Complainant dated August 5, 2014. 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

Respondent first became registered in 2008 with a FINRA-regulated broker-dealer. In March 2009, he joined J.P. Morgan Chase Bank, N.A. (the "Bank") as a Personal Banker, and he became registered (Series 7 and Series 66) in March 2009 at the Bank's affiliated FINRA-regulated broker-dealer, Chase Investment Services Corp. (and then, beginning in October 2012, at J.P. Morgan LLC¹) (the "Firm"). Katayanagi's employment was terminated by the Bank in December 2012 as a result of the matter involved herein and the Firm then terminated his securities registrations on January 11, 2013. In a Form U-5 (Uniform Termination Notice for Securities Industry Registration) filed January 11, 2013, the Firm reported that Katayanagi had been "terminated by affiliate bank – non securities related. Registered Rep admitted to issuing multiple ATM cards on bank customers['] accounts and withdrawing funds ... for personal use." Katayanagi is not currently registered with a FINRA- regulated firm.

Although Katayanagi 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 the Firm, namely January 11,

¹ In October 2012, Chase Investment Services LLC merged with and became part of J.P. Morgan Securities LLC.

2013; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

During the period January 2012 through November 2012, Katayanagi, while registered at the Firm and employed at the Bank, misappropriated approximately \$14,100 belonging to Bank customers. Respondent created temporary Automated Teller Machine ("ATM") cards, issued in the names of various customers of the Bank through the Bank's computer system, created personal identification numbers ("PIN numbers") for these cards, and then used such cards and PIN numbers to withdraw funds from the customers' Bank accounts at ATMs, without their authorization.

MISAPPROPRIATION

In his role as a personal banker, Katayanagi had access to the Bank's computer system, and to blank temporary ATM cards that could be issued to Bank customers. During the period January 2012 to November 2012, Katayanagi created temporary ATM cards that enabled him to gain access to approximately eight customer bank accounts. Katayanagi created PIN numbers for each card and withdrew funds from the customers' bank accounts at ATMs for his own personal use in amounts totaling approximately \$14,100.

Katayanagi did not have authorization from the Bank customers to withdraw funds from their accounts.

Specifically, with respect to each of the following transactions, Katayanagi issued an ATM card through the Bank, created a PIN number, and then used the card and PIN number at an ATM to withdraw cash in the amounts set forth below.

From January 13, 2012 through January 15, 2012, Katayanagi withdrew funds totaling approximately \$2,512 from Customer A's Bank account via ATMs at Bank #1 and Bank #2 in Astoria, New York, without the customer's authorization.

From January 18, 2012 to February 19, 2012, Katayanagi withdrew funds totaling approximately \$2,010 from Customer B's Bank account via an ATM at Bank #1 in Astoria, New York, without the customer's authorization.

From March 2, 2012 to March 5, 2012, Katayanagi withdrew funds totaling approximately \$3,018 from Customer C's Bank account via ATMs at Bank #3 in New York, NY and Bank # 4 in Astoria, New York, without the customer's authorization.

From October 18, 2012 to October 23, 2012, Katayanagi withdrew funds totaling approximately \$3,250 from Customer D's Bank account via ATMs at Bank #3 in Carle Place, New York and Bank #1 in Astoria, New York, without the customer's authorization.

On November 7, 2012, Katayanagi withdrew funds totaling approximately \$1,005 from Customer E's Bank account via an ATM at Bank #1 in Astoria, New York, without the customer's authorization.

On November 7, 2012, Katayanagi withdrew funds totaling approximately \$510 from Customer F's Bank account via an ATM at Bank #1 in Astoria, New York, without the customer's authorization.

On November 7, 2012, Katayanagi withdrew funds totaling approximately \$305 from Customer G's Bank account via an ATM at Bank #1 in Astoria, New York, without the customer's authorization.

From November 14, 2012 to November 15, 2012, Katayanagi withdrew funds totaling approximately \$1,508 from Customer H's Bank account via an ATM at Bank #1 in Astoria, New York, without the customer's authorization.

As a result of the misconduct discussed herein, Katayanagi was arrested and charged with Grand Larceny in the Third Degree, a felony. In April 2013, Katayanagi pled guilty in the Criminal Court of the City of New York to a misdemeanor charge of petit larceny. The plea was entered with the understanding that after a year, if Katayanagi had fulfilled certain conditions, his plea would be vacated and he would be allowed to re-plead to a disorderly conduct violation. In or about April 2014, after fulfilling such conditions, Katayanagi re-pled to disorderly conduct.

By the conduct described above, Katayanagi misappropriated approximately \$14,100 from customers.

FINRA Rule 2010 provides that "A member, in the conduct of [his] business, shall observe high standards of commercial honor and just and equitable principles of trade."

Based on the foregoing, Respondent violated FINRA Rule 2010, by failing to observe high standards of commercial honor and just and equitable principles of trade.

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.

SANCTION

It is ordered that Respondent be barred from association with any FINRA member firm in any capacity.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, Respondent 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 sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED

FINRA

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

A handwritten signature in black ink, appearing to be 'R Chin', is written over a horizontal line.

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