

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013036837804**

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

**RE: Geoffrey Schiffrin, Respondent
Former Registered Representative
CRD No. 4484721**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Geoffrey Schiffrin ("Schiffrin" or "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. Respondent hereby accepts and consents, 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

Schiffrin entered the securities industry in 2001 and has been associated with several FINRA member firms. From January 2006 until his voluntary termination in January 2013, Schiffrin was registered with Finance 500, Inc. ("Finance 500" or "Firm") as a General Securities Representative and as an Equity Trader, and, after becoming licensed in September 2009, as a General Securities Principal.

Schiffrin is currently not registered with any FINRA member but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

Schiffrin has no disciplinary history.

OVERVIEW

From 2006 to 2013, Schiffrin worked in Finance 500's Florida branch office. Throughout the period, the Florida branch had between five and seven brokers and its business model primarily involved trading low-priced equities ("penny stocks") as a market maker for both the Firm's

accounts and for its retail customers. Schiffrin started as the office manager for the Florida branch, handling administrative duties. Over time, he also developed a small retail client base and was a market maker in several penny stocks. In 2009, Schiffrin also began acting as a registered principal in the Florida branch office, with various responsibilities for the branch, including reviewing and approving his branch manager's new account and stock deposit forms.

Despite the risks posed by the Firm's business model, Schiffrin failed to detect and investigate numerous red flags indicative of potentially suspicious activity related to the retail trading activity of the branch's customers including his own. Specifically, Schiffrin opened trading accounts for individuals he knew had engaged in suspicious and manipulative trading of a penny stock and assisted those customers in depositing additional shares of that same penny stock to liquidate. Schiffrin, at no time, conducted additional due diligence to assess the legitimacy of the transactions or escalated the matter to the Firm's AMLCO as required by the Firm's AML procedures.

Schiffrin also failed to properly execute his supervisory responsibilities. For example, Schiffrin approved new account paperwork and stock deposit forms despite knowing that certain information was missing or that additional due diligence was required. Schiffrin also failed to adequately conduct regular reviews of certain trade reports.

Finally, Schiffrin falsified documents by altering information on certain forms after customers had signed them and by obtaining signed but otherwise blank forms that he later completed, causing the Firm to have inaccurate books and records

As a result, Schiffrin violated NASD Rules 3010(b) and 3110(a) and FINRA Rules 3310(a), 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

Schiffrin Failed to Monitor for or Report Suspicious Activity

FINRA Rule 3310(a) requires members to establish and implement policies and procedures "that can be reasonably expected to detect and cause the reporting of" suspicious activity and transactions as required by the Bank Secrecy Act.¹ Notices to Members 02-21 (April 2002) and 02-47 (August 2002) emphasized a firm's duty to detect red flags and, if detected, "perform additional due diligence before proceeding with the transaction."

The Firm's AML procedures placed an obligation on the Firm's associated persons to "be aware of 'red flags' that may indicate suspicious activity." When an associated person became aware of a red flag, the Firm's procedures required two additional steps. The registered person must "perform additional due diligence before proceeding with any transactions," and also should

¹ FINRA Rule 0140 (effective December 15, 2008) states that "[t]he Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under the Rules." Thus, FINRA Rule 3310 applies to individual registered representatives who ignore and/or fail to report red flags of potentially suspicious activity

"IMMEDIATELY report any suspicious activity" to one of the Firm's principals or its AML Compliance Officer.

From at least 2010, Schiffrin failed to fulfill his responsibilities under the Firm's AML procedures. Specifically, when Schiffrin became aware of red flags indicative of potentially suspicious activity, he failed to investigate or escalate the issue to the AML Compliance Officer. For example, throughout 2010 and 2011, Schiffrin opened and was the broker of record for seven accounts for three individuals who deposited and liquidated shares of a penny stock issuer named Dolphin Digital Media, Inc. ("DPDM") through those accounts. The accounts were opened by Robert Mouallem, a registered representative at a different member firm, on behalf of the three individuals, one of whom had a regulatory background involving penny stock fraud committed with Mouallem's brother. Schiffrin continued to service the accounts and execute trades in DPDM for the accounts even after learning that the individuals had engaged in manipulative trading of DPDM. After the DPDM trades were executed, Schiffrin assisted the individuals in wiring out the proceeds from those trades.

Schiffrin did not conduct appropriate due diligence in response to the trading activity nor did he report the potentially suspicious activity to the Firm's AML Compliance Officer. Accordingly, Schiffrin violated FINRA Rules 3310(a) and 2010.

Schiffrin Failed to Adequately Execute His Supervisory Responsibilities

NASD Rule 3010(b) requires a member to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD." A supervisor has a duty to enforce the firm's supervisory systems and investigate red flags indicating misconduct.

Schiffrin obtained his General Securities Principal license in September 2009, and, as a result, assumed certain supervisory responsibilities in the Florida branch office. His supervisory responsibilities included the review and approval of new account applications and documents related to the deposit of penny stocks, including Deposit Securities Request Questionnaire ("DSRQ") and Stock Power forms. He also was expected to review certain trading activity and exception reports, particularly related to the Firm's retail customers for potentially suspicious activity. The Florida branch where Schiffrin worked engaged in high-risk activity – trading and liquidation of penny stocks. Despite the substantial risk posed by this activity, from at least 2009, Schiffrin failed to appropriately perform his supervisory duties. Specifically, he:

- Failed to adequately review trade activity and reports, thereby failing to identify or respond to numerous red flags indicating potentially suspicious trading was occurring at the Florida branch.
- Failed to perform sufficient due diligence in connection with opening new accounts and in response to potentially suspicious activity in customer accounts. As a result, Schiffrin approved new account applications for, and facilitated suspicious trading for, individuals with criminal and regulatory backgrounds.

As a result, Schiffrin violated NASD Rule 3010(b) and FINRA Rule 2010.

Schiffrin Falsified Firm Documents and Caused the Firm to Have Inaccurate Books and Records

FINRA Rule 2010 requires registered representatives, in the conduct of business, to observe high standards of commercial honor and just and equitable principles of trade with regard to their business practices. Altering information on a customer form after it has been signed by the customer or filling in information on a document signed in blank is falsification of that document and is inconsistent with those just and equitable principles of trade.

FINRA Rule 4511² requires each member to make and preserve books and records in conformity with all applicable laws, rules, and regulations. Maintaining altered or otherwise falsified documents in a firm's books and records violates the requirements of FINRA Rule 4511 and NASD Rule 3110(a).

From at least 2009, Schiffrin altered the information on new account, DSRQ, and Stock Power forms for at least six customers after the customers had signed the forms. For example, Schiffrin altered the information in the "Prior Owner Information" section of DSRQ forms he submitted to the Firm's compliance department for review and which were then submitted to the Firm's clearing firm.

Schiffrin also obtained signed, but otherwise blank, DSRQ and Stock Power forms and kept them in the files for many of his retail customers. He later filled in those forms and submitted them to his Firm for processing and/or to the Firm's clearing firm.

By altering documents after they had been signed and keeping signed, but otherwise blank, account forms in a customer file, Schiffrin falsified documents in violation of FINRA Rule 2010. He also violated NASD Rule 3110(a) and FINRA Rules 4511 and 2010 by causing the Firm to maintain inaccurate business records.

B. Respondent also consents to the imposition of the following sanctions:

- a six-month suspension from association with any FINRA member in any capacity, immediately followed by a 12-month suspension from association with any FINRA member in any principal capacity;
- a requirement to requalify by examination as a General Securities Principal by passing the Series 24 examination prior to reassociation with any member firm in that capacity following the principal suspension, and
- a \$10,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the six-month all-capacities suspension noted above, or prior to any application or

² FINRA Rule 4511 replaced NASD Rule 3110 on Dec. 5, 2011

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 Exchange Act. 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).

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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.

12/28/2015
Date (mm/dd/yyyy)


Geoffrey Schaffrin, Respondent

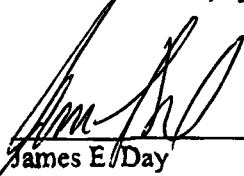
Reviewed by:

Arthur Koski, Esq.
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Accepted by FINRA:

12/28/15
Date

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



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Vice President and Chief Counsel
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