

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Trevor Michael Saliba (CRD No. 2692057),
Sperry Randall Younger (CRD No.
2771029), Richard Daniel Tabizon (CRD
No. 2601208), and Arthur Mansourian (CRD
No. 5252154),

Respondents.

DISCIPLINARY PROCEEDING
No. 2013037522501

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Shortly after filing a Continuing Membership Application ("CMA") in mid-2012, NMS Capital Securities LLC ("NMS Capital Securities" or the "Firm"), acting through its indirect owner and Chairman Trevor Michael Saliba and/or other Firm personnel, including its former Chief Executive Officer ("CEO") Sperry Randall Younger, former Chief Compliance Officer ("CCO") Richard Daniel Tabizon and its associate Arthur Mansourian, began (i) repeatedly violating a restriction imposed during the application process, and (ii) supplying false or fabricated documents and lying to FINRA to cover up that violation.

2. In October 2011, the Firm filed a CMA with FINRA in connection with Saliba's purchase of the Firm, but failed to disclose the existence of a Securities and Exchange

Commission ("SEC") investigation of Saliba's Registered Investment Advisor ("RIA") NMS Capital Asset Management and a subpoena issued to Saliba and NMS Capital Asset Management by the SEC. That CMA lapsed, and when the Firm filed another CMA in July 2012, FINRA's Membership Application Program group ("MAP"), in a letter dated August 15, 2012 addressed and emailed to Saliba that same day, imposed immediate interim restrictions on the Firm under NASD Rule 1017(c) (the "Interim Restrictions"), which included a restriction prohibiting the Firm from "[p]ermitting Trevor Saliba from acting in any principal and/or supervisory capacity" until such time as FINRA made a final determination on the Firm's CMA.

3. Saliba immediately began violating the Interim Restrictions by signing numerous engagement agreements obligating the Firm to provide investment banking services for clients, hiring Younger as the Firm's CEO, hiring or participating in hiring other Firm personnel, and reviewing Tabizon's outside brokerage account statements — all of which were acts in a principal and/or supervisory capacity. Through these actions, Saliba violated FINRA Rule 2010 by causing the Firm to violate NASD Rule 1017(c).

4. During the MAP process, and FINRA examinations and investigations that followed, Saliba, Younger, Tabizon and Mansourian repeatedly provided false, incomplete and misleading information to FINRA. In an effort to overturn MAP's denial of the Firm's CMA in July 2013, Saliba provided two sets of supervisory memoranda to MAP, purportedly to show that Saliba had not violated the Interim Restriction by signing engagement agreements because he was being supervised by the Firm's CEOs, JM, and later Younger, and had obtained their permission prior to executing the engagement agreements. These memoranda did not excuse Saliba's violation of the Interim Restrictions. Moreover, the memoranda purportedly signed by JM were fabrications — as Saliba knew or should have known, they were not written, signed, or

authorized by JM. The memoranda written by Younger were backdated, as Saliba also knew or should have known. Through these actions, Saliba violated FINRA Rule 2010.

5. Saliba later produced the falsified supervisory memoranda to Enforcement in response to a Rule 8210 request, in violation of both FINRA Rules 8210 and 2010. Moreover, Saliba caused the Firm to maintain these inaccurate books and records, in violation of FINRA Rules 4511 and 2010, as he knew or should have known that the memoranda were false.

6. During Enforcement's investigation into the creation of the supervisory memoranda, Saliba lied to FINRA and failed to provide all information and documents requested by FINRA. Saliba testified under oath that he had only used one computer for NMS Capital Securities business during the period of August 2012 through June 2014, when in fact he used more than one for a substantial portion of that period. Additionally, the so-called "responsive computer" Saliba and the Firm produced in response to a FINRA Rule 8210 request from Enforcement seeking his business-use computer was rarely used for NMS Capital Securities business during the June 2013 to June 2014 period, which includes the time when Saliba first provided the supervisory memoranda to both MAP and Enforcement. Through these actions, Saliba violated FINRA Rules 8210 and 2010.

7. Younger also lied during sworn investigative testimony, including that he wrote the memoranda on or around the dates reflected on the memoranda and that he provided the memoranda to the Firm's Los Angeles office, where Saliba worked, shortly after purportedly creating them. Through these actions, Younger violated FINRA Rules 8210 and 2010. Moreover, Saliba caused the Firm to maintain these inaccurate books and records, in violation of FINRA Rules 4511 and 2010, as he knew or should have known that the memoranda were false.

8. In April 2013, the Firm, Saliba, Tabizon and Mansourian covered up the fact that they had failed to ensure that Outside Business Activity (“OBA”) and Private Security Transaction (“PST”) forms were timely prepared and submitted to the Firm as required by the Firm’s procedures. During an examination by FINRA’s Department of Member Regulation in Los Angeles, and in response to a request from Member Regulation, Mansourian, at Saliba’s and Tabizon’s direction, sent blank OBA and PST compliance forms to other Firm registered representatives at their personal email addresses and instructed them to complete and backdate the forms to February 2013. Tabizon provided the backdated forms to Member Regulation with no indication that they had been backdated. Through these actions, Saliba, Tabizon and Mansourian violated FINRA Rule 2010. Saliba, Tabizon and Mansourian caused the Firm to maintain these inaccurate books and records, in violation of FINRA Rules 4511 and 2010, as they knew or should have known that the OBA and PST forms were false.

9. Finally, Younger failed to establish a supervisory system, including written supervisory procedures, to detect and prevent violations of the interim restrictions and failed to supervise: (i) Saliba to prevent him from violating the Interim Restrictions; and (ii) Mansourian, Saliba and Tabizon with regard to the procurement and provision of backdated OBA and PST compliance forms and the use of personal email by other representatives. Through these actions, Younger violated NASD Rule 3010(a) and (b), and FINRA Rule 2010.

THE FIRM, RESPONDENTS AND JURISDICTION

10. **NMS Capital Securities LLC** (CRD No. 107401) was a FINRA regulated broker-dealer with its home office in Beverly Hills, California. The Firm became a FINRA regulated broker-dealer in June 2001. From 2001 until the latter half of 2011, the Firm was known as **MCA Securities, LLC** (“MCA Securities”). Effective November 2011, the two owners

of MCA Securities sold all of their interest in the Firm to NMS Capital Group, LLC ("NMS Capital Group"). NMS Capital Group is wholly-owned by Respondent Saliba. The Firm was approved to conduct one line of business, the private placement of securities. The Firm filed a Form Broker-Dealer Withdrawal ("BDW") in October 2015 and its registration was terminated by the Securities and Exchange Commission ("SEC") and FINRA in December 2015. As a result, NMS Capital Securities is no longer a FINRA regulated broker-dealer.

11. **Trevor Michael Saliba** (CRD No. 2692057) entered the securities industry in 1995 when he became associated with a FINRA regulated broker-dealer. At various times since 1995, Saliba has been associated with eight different FINRA regulated broker-dealers and has been licensed as a Series 7 General Securities Representative ("GSR"), a Series 79 licensed Limited Representative — Investment Banking and a Series 24 General Securities Principal. In September 2011, Saliba purchased, and registered with, what was then MCA Securities, which later became NMS Capital Securities. Throughout the relevant period, Saliba was the Chairman of the Firm and from November 2011 through November 2014 was the indirect 100 percent owner of the Firm. The Firm's ownership structure changed in November 2014, with Saliba owning not more than 24.9 percent. Saliba is currently registered with NMS Capital Advisors, LLC ("NMS Capital Advisors"), formerly known as NMS Financial Services LLC, another FINRA regulated broker-dealer that mainly conducts a retail business, which was active during the same period as NMS Capital Securities, and of which Saliba owns not more than 24.9 percent through NMS Capital Group. Saliba also owns an interest in NMS Capital Asset Management, Inc. ("NMS Capital Asset Management"), a Registered Investment Advisor ("RIA").

12. **Sperry Randall Younger** (CRD No. 2771029) entered the securities industry in 1996. He became a Series 7 licensed GSR in October 1996, a Series 24 licensed General

Securities Principal in August 1999, a Series 4 licensed Compliance Registered Options Principal in May 2002, and a Series 79 licensed Limited Representative — Investment Banking in November 2009. Younger registered with the Firm in October 2012 and served as the Firm's CEO until March 2014. Younger was also the CCO and designated supervisor for all of the individuals registered with the Firm from at least January 2013 through March 2014. Prior to registering with the Firm, Younger was registered with nine other FINRA regulated broker-dealers. On April 9, 2014, the Firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") on Younger's behalf disclosing that Younger had voluntarily terminated his employment with the Firm on March 14, 2014. From July 2014 to August 2015, Younger was registered with three additional FINRA regulated broker-dealers. In October 2015, Younger registered with NMS Capital Advisors, a FINRA regulated broker-dealer that is partially owned by Saliba. Younger remains registered with NMS Capital Advisors.

13. **Richard Daniel Tabizon** (CRD No. 2601208) entered the securities industry in 1994. He became a Series 7 licensed GSR in December 1996, a Series 9/10 licensed General Securities Sales Supervisor in June 2002, a Series 24 licensed General Securities Principal in March 2003, a Series 53 licensed Municipal Securities Principal in September 2003, a Series 99 licensed Operations Professional in December 2011, and a Series 82 licensed Private Placement Offerings Limited Representative in January 2015. In September 2011, Tabizon became associated with the Firm. From September 2011 until approximately the beginning of 2013, Tabizon served as the Firm's CCO. After Younger took over Tabizon's duties as CCO, Tabizon worked in operations for the Firm. Tabizon also began working with NMS Capital Asset Management in January 2011 and registered with NMS Capital Advisors in April 2012. Prior to registering with the Firm, Tabizon was associated with seven different FINRA regulated broker-

dealers. On March 13, 2015, the Firm, NMS Capital Advisors, and NMS Capital Asset Management filed Forms U5 disclosing that Tabizon voluntarily resigned from each firm on March 11, 2015. Although Tabizon is no longer registered or associated with a FINRA regulated broker-dealer, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (i) the Complaint was filed within two years after the effective date of termination of Tabizon's registration with the Firm and NMS Capital Advisors, namely, March 13, 2015, and (ii) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA regulated broker-dealer.

14. **Arthur Mansourian** (CRD No. 5252154) entered the securities industry in November 2006 when he became associated with a FINRA regulated broker-dealer. He became a Series 7 licensed GSR in March 2007 and a Series 24 licensed General Securities Principal in June 2015. Mansourian has been registered with four FINRA regulated broker-dealers since November 2006. Mansourian was registered with the Firm from October 2012 to September 2015. Mansourian became associated with NMS Capital Advisors in June 2015, where he currently works.

FACTS

The Firm Seeks Approval from FINRA for a Change in Ownership

15. In September 2011, the owners of MCA Securities sold the entirety of their interest to NMS Capital Group, effective November 2011. Saliba was the sole owner of NMS Capital Group. MCA Securities then changed its name to NMS Capital Securities.

16. As required by NASD Rule 1017(c)(1), in October 2011, the Firm filed a CMA with FINRA to seek approval for the 100 percent change in ownership. That initial CMA lapsed in June 2012 when the Firm failed to timely respond to a request for information from MAP.

17. The Firm then refiled the CMA on July 10, 2012, once again seeking approval for the 100 percent change in ownership.

MAP Imposes Interim Restrictions on the Firm

18. In the Firm's initial CMA filed in October 2011, Saliba had failed to disclose both an SEC investigation and a subpoena issued by the SEC to Saliba and NMS Capital Asset Management. On August 15, 2012, shortly after learning of the Firm's earlier omission, MAP, pursuant to NASD Rule 1017(c), immediately imposed interim restrictions on the Firm in a letter addressed and emailed to Saliba that same day. Under Rule 1017(c), these interim restrictions were effective from August 15, 2012 until a final decision on the CMA was issued (the "Period of Interim Restrictions").

19. The Interim Restrictions prohibited the Firm from, among other things, "permitting Trevor Saliba from acting in any principal and/or supervisory capacity."

MAP Amends the Interim Restrictions

20. On September 25, 2012, Saliba met with MAP staff in New York to seek permission to retain control over the Firm's finances, which was prohibited by the Interim Restrictions.

21. On October 17, 2012, MAP wrote to Saliba, informing him that it had considered his request and was amending the Interim Restrictions, in relevant part, to permit the following:

Mr. Saliba is permitted to act in a limited capacity with respect to supporting the following financial functions of the Firm: invoice approval, payment of bills/corporate expenses, check writing, personal contributions of operating capital to the Firm, and oversight of corporate budgeting. Such supporting role would be subject to the oversight of the Firm's designated Financial and Operations Principal, [BD], as appropriate.

22. MAP made no other alterations to the Interim Restriction prohibiting Saliba from acting in a principal or supervisory capacity, as imposed in the August 15, 2012 letter. The October 17, 2012 amendment does not affect the charges asserted here.

Saliba Acts as a Principal Despite the Interim Restrictions

23. Despite the Interim Restrictions, after August 15, 2012, Saliba acted in a principal and/or supervisory capacity for the Firm.

Saliba Signs Engagement Agreements for the Firm.

24. Between at least September 21, 2012 and May 1, 2013, Saliba was the primary negotiator on, and signed, at least ten engagement, placement and/or selling agreements with investment banking clients on behalf of the Firm. Specifically, Saliba negotiated and signed engagement, placement and/or selling agreements on or around September 21, 2012, October 1, 2012, October 10, 2012, November 14, 2012, January 7, 2013, February 5, 2013, February 6, 2013, March 12, 2013, April 18, 2013, and May 1, 2013.

25. Saliba signed these agreements as the "Managing Director," "Senior Managing Director," "CEO" or "Chairman" of the Firm.

26. These agreements obligated the Firm to use its best efforts to provide the securities services delineated in the agreements, such as: (i) assisting the clients with raising capital through the sale of securities; (ii) formulating a marketing strategy for the securities;

(iii) advising the clients as to the timing, structure and pricing of the securities; and
(iv) identifying and contacting prospective purchasers of the securities and advising the company as to the strategy and tactics of negotiations with such prospective purchasers.

27. Saliba also negotiated other potential engagement, placement and/or selling agreements on behalf of the Firm between at least September 21, 2012 and May 1, 2013.

28. Saliba also signed, as Managing Director of the Firm, an arranger fee agreement with another broker-dealer on or around October 22, 2012. The arranger fee agreement governed payments from the Firm to the other broker-dealer for finding investors for one of the Firm's private placement engagements.

29. Saliba's negotiation and execution of engagement placement and selling agreements, and an arranger fee agreement, violated the Interim Restrictions.

30. During the Interim Restrictions, Saliba also used the title of "Chairman," which is an officer position. Under NASD Rule 1021, officers involved in the management of a firm's investment banking business, including solicitation and conduct of business, are principals.

Saliba Reviews and Signs Tabizon's Outside Brokerage Account Statements.

31. While the Interim Restrictions were in effect, the Firm's written supervisory procedures ("WSPs") required a Firm principal to review outside brokerage account statements.

32. Saliba, acting as a Firm principal, reviewed and initialed Tabizon's outside brokerage account statements for the months of June 2012, July 2012, August 2012, September 2012, October 2012, November 2012 and December 2012, in violation of the Interim Restrictions.

Saliba Hires, and Participates in Hiring, Firm Personnel

33. Saliba regularly acted as a principal and/or supervisor during the Period of Interim Restrictions by hiring and participating in hiring Firm personnel as follows.

34. On September 25, 2012, the same day that Saliba met with MAP staff in New York to seek permission to retain control over the Firm's finances, Saliba interviewed Younger to replace JM as the Firm's CEO, notwithstanding that the Interim Restrictions remained in effect.

35. The next morning, Saliba and Younger met again and Saliba offered Younger the position. In doing so, Saliba was acting as a principal in violation of the Interim Restrictions.

36. Saliba did not inform MAP staff during his meeting that he was interviewing a potential CEO that same day.

37. On or around October 1, 2012, Saliba, on behalf of the Firm as its putative Chairman, signed both (i) Younger's Independent Representative Agreement, which granted Younger the title of CEO, and (ii) Younger's OSJ Agreement, which contained provisions regarding expense allocations for the New York office of the Firm.

38. Saliba participated in hiring other registered representatives for the Firm, including by interviewing, negotiating terms of employment and signing Independent Representative Agreements on behalf of the Firm. Specifically, on or around January 15, 2013, Saliba signed: (i) MC's Independent Representative Agreement as the putative Chairman of NMS Capital Securities, and (ii) on or around May 1, 2013, KA's Independent Representative Agreement as the putative Chairman of NMS Capital Securities.

39. Saliba sent letters to potential registered representatives outlining terms of employment. Specifically, on or around March 21, 2013, Saliba, as Senior Managing Director, signed a letter to KA to “confirm you [sic] general employment and affiliation with NMS Capital Securities, LLC.” The letter further outlined specific terms of employment, such as which office KA would work out of, his approved OBA, and the fact that NMS would sponsor him for all FINRA licenses and his compensation terms. KA signed the letter acknowledging his agreement to the terms on or around March 27, 2013. Saliba also sent an email to CC on October 24, 2012, stating that it was “a pleasure meeting with” her, offering her a position in the New York office and outlining the terms of the compensation structure at the Firm. Saliba’s email was signed “Managing Director/CEO.”

40. In or around late 2013, Saliba also interviewed potential employees, specifically RL, who was hired as the Firm’s Vice President in or around November 2013, and PH, who was hired as the Firm’s President in or around November 2013.

41. Saliba, along with PH, made the decision to appoint PH the CEO and CCO of the Firm when Younger left the Firm in or around March 2014.

Younger Failed to Supervise Compliance with the Interim Restrictions

42. The Firm’s supervisory system was not reasonably designed to prevent or detect the Firm’s or Saliba’s failures to comply with the Interim Restrictions.

43. Although JM was Saliba’s supervisor from August 15, 2012 to October 5, 2012, JM was never informed of the Interim Restrictions and never saw a copy of the letter dated August 15, 2012 imposing the Interim Restrictions despite the fact that it was mailed and emailed to Saliba that same day.

44. Younger, who was the Firm's CEO and Saliba's supervisor from October 5, 2012 through March 2014, and the Firm's CCO from around January 2013 to March 2014, took inadequate steps to ensure that the Interim Restrictions were enforced and to prevent Saliba from acting in a principal capacity.

45. Upon receiving the October 17, 2012 letter from MAP amending the Interim Restrictions, Younger did not establish any new policies or write any compliance memoranda. The October 17, 2012 MAP letter also required the Firm's financial and operations principal to oversee Saliba's participation in the Firm's finances, but Younger did not tell the Firm's FINOP that he was responsible to do so.

46. Moreover, despite the Interim Restrictions, Younger permitted Saliba to act as a principal for the Firm, including signing contracts, such as engagement agreements and independent representative agreements, on behalf of the Firm.

***After MAP Denies the CMA Due to Saliba's Violations of the Interim Restrictions,
Saliba Submits Fabricated and Falsified Documents to MAP***

47. On June 21, 2013, after Member Regulation discovered that Saliba violated the Interim Restrictions, MAP denied the Firm's CMA.

48. The Firm appealed the CMA denial on July 15, 2013.

49. On or around August 22, 2013, while the appeal was under review by the National Adjudicatory Council ("NAC"), Saliba and his lawyer met with MAP staff in New York and requested that MAP reconsider its denial of the Firm's CMA.

50. During that meeting, Saliba and his lawyer claimed that Saliba did not violate the Interim Restriction by signing engagement agreements on behalf of the Firm, because all of his

activities were directly supervised by the Firm's CEOs JM and Younger. Saliba and his lawyer claimed that Saliba had approval from JM and Younger to sign each of the engagement agreements.

51. After MAP asked the Firm to produce evidence of that approval, on August 30, 2013, Saliba's counsel emailed three memos purportedly signed by JM (the "JM Memos"), and eight memoranda signed by Younger (the "Younger Memos") (collectively, the "Supervisory Approval Memos"), to MAP.

52. The Firm claimed that these Supervisory Approval Memos "reflect approval by NMS's CEO — first [JM] and, later, Mr. Younger — of banking deals brought to the firm by Mr. Saliba." As alleged below, the JM Memos were complete fabrications, and the Younger Memos were created long after Saliba had signed the engagement letters, for the purpose of falsely indicating contemporaneous written supervisory approval for Saliba's activities.

53. On September 29, 2014, the NAC issued an opinion affirming MAP's denial of the Firm's CMA, finding, among other things, that Saliba had violated the Interim Restrictions by acting in a principal and/or supervisory capacity.

***Saliba, the Firm and Younger Provide False Documents
and Testimony in Response to Enforcement's Investigation***

The Forged JM Memos

54. On August 30, 2013, the Firm and Saliba produced to MAP the three JM Memos, which were dated September 13 and 14, 2012, and purportedly signed by JM, claiming that these memoranda reflected approval by JM for Saliba to engage in certain banking deals.

55. The Firm and Saliba also produced the JM Memos on October 28, 2013, in response to a request from Enforcement pursuant to FINRA Rule 8210 dated October 7, 2013 (the “October 7th Request”) that the Firm and Saliba provide the following:

All documents evidencing executive management approval or authority to engage in banking deals and placement agent/commission agreements, during the time period November 1, 2011 through the present.

56. The JM memos were not signed, written or authorized by JM.

57. JM did not have any knowledge of the companies discussed or referenced in the JM Memos. JM did not authorize Saliba to take any actions, such as engaging clients or entering into agreements with clients on behalf of the Firm. Additionally, JM was not aware of the Interim Restrictions that prohibited Saliba from acting in a principal and/or supervisory capacity.

58. The Firm and Saliba provided the JM Memos to MAP to support his claim that he had not acted in a principal capacity in violation of the Interim Restrictions, and for the purpose of convincing MAP that he did not violate the Interim Restrictions by signing agreements on behalf of the Firm because he was supervised by the Firm’s CEO.

59. Saliba provided the JM Memos to FINRA when he knew or should have known that they were false and were not signed by JM.

Saliba’s Failure to Cooperate with Enforcement’s Investigation

60. On June 19, 2014 and July 16, 2014, Enforcement took Saliba’s sworn on-the-record testimony (“OTR”) pursuant to FINRA Rule 8210. In the OTRs, Saliba testified that he uses only one computer, a laptop, for Firm business and that he has used the same laptop since 2012.

61. At the conclusion of the June 19, 2014 OTR, Enforcement served Saliba and the Firm with a request pursuant to FINRA Rule 8210 ("June 19th Request"), requesting the Firm and Saliba to immediately produce the following:

Any and all computers and/or electronic storage devices used by Trevor Saliba for NMS Capital Securities business. You are required, immediately upon receipt of this letter, to sequester these computers and devices and to preserve them. No Firm personnel or others should be permitted to access these computers and devices, or the records and information located on these computers and devices, until FINRA staff arrives to perform a forensic data capture. Once FINRA staff arrive onsite, there should be Firm personnel available to direct FINRA staff to the location of these computers and devices and to provide FINRA staff with access to these computers and devices.

62. Later that day, Saliba provided one laptop computer to FINRA staff, and FINRA staff performed a forensic data capture on that laptop.

63. Additionally, on July 3, 2014, Saliba and the Firm responded in writing to the June 19th Request, stating:

FINRA obtained access to and made a copy of the information contained on the responsive computer on June 19, 2014. All information responsive to this request is, therefore, already in FINRA's possession.

64. However, from approximately May 24, 2013 to June 19, 2014, Saliba rarely used the laptop that he produced in response to the June 19th Request.

65. Rather, in or around May 2013, Saliba purchased another laptop computer and had the Firm's technology vendor transfer data to the new laptop. He then began using that new computer for Firm business.

66. Saliba did not disclose in his OTR that he had or used a different computer for Firm business during that time period.

67. The Firm and Saliba failed to provide the second, recently purchased computer to FINRA in response to the June 19th Request and never informed Enforcement about the existence of the second computer.

The Younger Memos and Younger's Misrepresentations to FINRA

68. On August 30, 2013, the Firm and Saliba also produced to MAP the eight Younger Memos dated from November 1, 2012 to May 30, 2013, signed by Younger. As with the JM Memos, the Firm and Saliba claimed that the Younger Memos reflected approval by Younger for Saliba to engage in certain banking deals.

69. The Firm and Saliba also produced the Younger Memos to Enforcement on October 28, 2013, in response to the October 7th Request.

70. On June 4, 2014, Enforcement took Younger's sworn testimony pursuant to FINRA Rule 8210. During his testimony, Younger testified that for each investment banking deal that the Firm entered into during his tenure as CEO, he prepared a memorandum purportedly reflecting his approval of each deal shortly after speaking with the other Firm employees about the deal, and that the eight Younger Memos provided to FINRA were examples of such memoranda. He also testified that shortly after he prepared a memorandum, he would print it, sign it, "digitize" it and email it to the Los Angeles office. Younger testified that he created each of the eight Younger Memos contemporaneously with the dates reflected on the memoranda.

71. Younger's testimony regarding his preparation, signing and emailing of the Younger Memos was false.

72. Not only did Younger not create such approval memoranda for every investment banking deal while he was the CEO of the Firm, but Younger did not create, sign or email the Younger Memos to Saliba or anyone in the LA office of the Firm until August 27, 2013, when Saliba requested that Younger provide documentation to support Saliba's claim to MAP that he had approval to sign the engagement agreements.

Saliba and Tabizon Produce Backdated OBA and PST Compliance Forms to FINRA

73. Saliba and Tabizon also provided backdated compliance forms to Member Regulation in April 2013.

74. As part of its cycle exam, on April 17, 2013, Member Regulation made several requests for documents to the Firm (collectively the "April 17th Request"). The April 17th Request requested, among other things, the most recent OBA and PST compliance forms completed by the Firm's GSRs.

75. After receiving Member Regulation's April 17th Request, Tabizon and Saliba directed Mansourian to send out blank OBA and PST forms to the registered representatives and to have those individuals backdate the forms to make it appear as though they had been executed in February 2013, rather than April 2013.

76. Saliba and Tabizon directed Mansourian to procure backdated compliance forms to convince Member Regulation that the Firm required completion of OBA and PST compliance forms on its own, rather than in response to a regulatory request.

77. On or around April 19, 2013, Tabizon, using his personal Yahoo! email account, forwarded blank OBA and PST forms to Mansourian at Mansourian's personal Gmail account.

78. On April 20, 2013, Mansourian, as directed by Saliba and Tabizon, sent an email from his personal Gmail account attaching the blank OBA and PST forms to five of the Firm's registered representatives: Younger, CB, MW, MC, and MM. Rather than sending this email to the individuals' Firm email addresses, Mansourian sent the email to the individuals' personal or other non-broker-dealer business email addresses.

79. In his April 20, 2013 email, Mansourian instructed the recipients to complete the blank OBA and PST forms, and "[w]hen asked for dates, please indicate dates in February 2013, such as February 1st, 4th, 5th, 8th" rather than to sign and date the forms with the correct current date.

80. Mansourian also requested that each individual "send back [the forms] to this [personal] e-mail address ONLY or fax to" the Firm's fax number.

81. Mansourian sent the April 20, 2013 email at Saliba's and Tabizon's direction. Specifically, at Saliba's instruction, Mansourian: (i) used his personal email, (ii) sent the email to the individuals' personal email accounts, (iii) instructed that the individuals backdate the forms, and (iv) instructed that the individuals return the forms to either Mansourian's personal email or the Firm's fax.

82. The Firm did not capture Mansourian's, Tabizon's or any of the recipients' personal emails as part of the Firm's email archive system, and it did not maintain a log of faxes sent or received during the period April 17, 2013 to April 25, 2013.

83. In the days following their receipt of Mansourian's April 20, 2013 email, each of the registered representatives who received this email, except Younger, returned to the Firm signed OBA and PST compliance forms that were backdated to February 2013. These forms

were returned to the Firm either from the individual's personal email address to Mansourian's personal email address or by fax.

84. Once he received the backdated forms, Mansourian gave the backdated forms to Saliba.

85. On April 25, 2013, Tabizon produced these backdated OBA and PST compliance forms to FINRA in response to Member Regulation's April 17th Request. Nowhere on the email producing these documents did Tabizon disclose that the forms had been signed in April 2013 but backdated to February 2013.

86. Younger failed to supervise Tabizon, Saliba and Mansourian with regard to the collection and provision of these backdated OBA and PST forms to FINRA in April 2013.

87. As of April 20, 2013, Younger was the Firm's CEO and CCO, and was Saliba's, Tabizon's and Mansourian's designated supervisor. Younger was copied on the email from Mansourian asking the Firm employees to sign and backdate the OBA and PST forms.

88. The Firm's WSPs in effect in April 2013 prohibited the use of non-Firm email platforms such as Gmail and Yahoo! for business purposes.

89. Although Younger knew or should have known that these individuals were using personal email accounts for Firm business and for the purpose of avoiding detection by FINRA and instructing Firm personnel to backdate compliance forms, he failed to take adequate steps to address this conduct or to prevent Firm personnel from providing these falsified forms to FINRA.

FIRST CAUSE OF ACTION

Causing the Firm to Violate the Interim Restrictions by Saliba (FINRA Rule 2010)

90. The Department realleges and incorporates by reference paragraphs 1-89 above.

91. NASD Rule 1017(c)(1) provides that a FINRA member shall file an application for approval of a change in ownership of the firm and effect a change in ownership prior to the conclusion of the proceeding, but allows MAP to “place new interim restrictions on the member based on the standards in Rule 1014, pending final Department action.”

92. A violation of Rule 1017(c)(1) is also a violation of FINRA Rule 2010, which requires FINRA regulated broker-dealers and associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

93. From August 15, 2012 to at least April 7, 2014, the Firm violated NASD Rule 1017(c)(1) by permitting Saliba to act as a principal, an act prohibited by the Interim Restrictions.

94. From August 15, 2012 to at least April 7, 2014, Saliba violated FINRA Rule 2010 by causing the Firm to violate NASD Rule 1017(c)(1) by acting as a principal and/or supervisor, an act prohibited by the Interim Restrictions.

95. During the Period of Interim Restrictions, Saliba acted as a principal and/or supervisor by negotiating and signing at least ten engagement agreements on behalf of the Firm that obligated the Firm to use its best efforts to provide certain investment banking services to its clients.

96. Saliba acted as a principal and/or supervisor by hiring Younger as the Firm’s CEO during the Period of Interim Restrictions. Saliba also acted as a principal and/or supervisor

by hiring or participating in hiring other registered representatives during the Interim Restrictions, including by interviewing individuals, signing Independent Representative Agreements for Younger, MC and MM, and by writing offer of employment letters to KA and CC.

97. Saliba also acted as a Firm principal and/or supervisor when he reviewed and initialed Tabizon's outside brokerage account statements.

98. By virtue of the foregoing, Saliba violated FINRA Rule 2010 by causing the Firm to violate NASD Rule 1017(c)(1).

SECOND CAUSE OF ACTION

Failure to Cooperate and Misrepresentations by Saliba (FINRA Rules 8210 and 2010)

99. The Department realleges and incorporates by reference paragraphs 1-98 above.

100. FINRA Rule 8210 requires a registered firm or person to testify under oath or affirmation and to respond fully, completely, and truthfully to a request for information from FINRA made pursuant to the rule.

101. A violation of Rule 8210 is also a violation of FINRA Rule 2010.

102. In his June 19, 2014 and July 16, 2014 OTRs, Saliba testified that he uses only one computer, a laptop, for Firm business and that he has used the same laptop since 2012.

103. At the conclusion of the June 19, 2014 OTR, Enforcement served Saliba and the Firm with the June 19th Request, directing the Firm and Saliba to immediately produce any and all computers and/or electronic storage devices used by Saliba for Firm business.

104. In response, on June 19, 2014, Saliba produced one laptop computer to FINRA.

105. On July 3, 2014, Saliba responded in writing to the June 19th Request, stating that he had provided “the responsive computer” on June 19, 2014 and that all responsive information was, therefore, in FINRA’s possession.

106. Contrary to Saliba’s testimony in his OTRs, Saliba used more than one computer for Firm business during the period 2012 through June 19, 2014.

107. Contrary to the representation in his written response to the June 19th Request, the one computer that Saliba provided to FINRA in response to the June 19th Request was not the only computer that Saliba used for Firm business during the period 2012 through June 19, 2014. Saliba almost exclusively used another computer for business from in or around May 2013 through June 2014.

108. To date, Saliba has failed to produce any other computers or otherwise comply with FINRA’s request for “any and all computers and/or electronic storage devices” used by Saliba for Firm business; specifically, Saliba has failed to produce the computer used by Saliba during the period May 24, 2013 through June 19, 2014.

109. By virtue of the foregoing, Saliba violated FINRA Rules 8210 and 2010 by (i) making misrepresentations and failing to cooperate with FINRA during his OTR, and (ii) making misrepresentations and failing to provide a complete response to FINRA in response to a FINRA Rule 8210 request.

THIRD CAUSE OF ACTION

Providing False Documents to FINRA by Saliba (FINRA Rule 2010)

110. The Department realleges and incorporates by reference paragraphs 1-109 above.

111. Providing false and/or misleading documents to FINRA is a violation of FINRA Rule 2010.

112. In response to MAP's conclusion that Saliba violated the Interim Restrictions, the Firm and Saliba claimed that three memoranda purportedly signed by JM evidenced JM's approval for Saliba to engage in certain investment banking transactions during the Interim Restrictions and were evidence that Saliba and the Firm had not violated the Interim Restriction.

113. However, JM did not sign and did not authorize anyone to sign the JM Memos on his behalf. JM did not write or authorize anyone to write the JM Memos on his behalf, nor did he have any knowledge of the companies discussed or referenced in the JM Memos. JM did not authorize Saliba to take any actions, and was not even aware of the Interim Restriction prohibiting Saliba from acting in a principal capacity.

114. Saliba provided the JM Memos to convince MAP that Saliba did not act in a principal capacity in violation of the Interim Restrictions, and specifically that he did not violate the Interim Restrictions by signing engagement agreements on behalf of the Firm, because he was supervised by the Firm's CEO.

115. On August 30, 2013, Saliba submitted to MAP the JM Memos, which were falsified. The JM Memos were not provided to MAP in response to a FINRA Rule 8210 request.

116. Saliba knew or should have known when he submitted the JM Memos to MAP that these documents were falsified.

117. By virtue of the foregoing, Saliba violated FINRA Rule 2010 by failing to observe high standards of commercial honor and just and equitable principles of trade.

FOURTH CAUSE OF ACTION

Misrepresentations to FINRA by Younger (FINRA Rules 8210 and 2010)

118. The Department realleges and incorporates by reference paragraphs 1-117 above.

119. During his June 4, 2014 testimony, Younger testified that for each investment banking deal that the Firm entered into during his tenure as CEO, he prepared a memorandum purportedly reflecting his approval of each deal. Younger further testified that he created each memorandum contemporaneously with the dates reflected on the memoranda, and that after he prepared each memorandum, he would print it, sign it, “digitize” it, and then email it to the Los Angeles office shortly after.

120. Younger’s testimony was false. Not only did Younger not create such approval memoranda for every investment banking deal while he was the CEO of the Firm, but the dates on the eight Younger Memos that were provided to FINRA falsely reflect that they were signed in November 2012 through May 2013. However, Younger did not write or email the Younger Memos to Saliba or anyone in the LA office of the Firm until months later, on or around August 27, 2013, when Saliba requested that Younger provide documentation to support his supervision claim.

121. By virtue of the foregoing, Younger violated FINRA Rules 8210 and 2010 by making misrepresentations to FINRA.

FIFTH CAUSE OF ACTION

Production of False and Misleading Supervisory Approval Memos by Saliba (FINRA Rules 8210 and 2010)

122. The Department realleges and incorporates by reference paragraphs 1-121 above.

123. The Firm and Saliba first provided the JM Memos and the Younger Memos to FINRA on August 30, 2013, when Saliba's counsel emailed them to MAP. These Memos were not provided to MAP in response to a FINRA Rule 8210 request.

124. In the October 7th Request, Enforcement requested pursuant to FINRA Rule 8210 that the Firm and Saliba provide all documents evidencing management approval for Saliba to engage in banking deals and agreements.

125. In response, the Firm and Saliba again provided the JM Memos and the Younger Memos to FINRA, this time to Enforcement.

126. The JM Memos were false and misleading, because they were fabricated and were not signed or authorized by JM.

127. The Younger Memos were false and misleading because they were backdated.

128. Saliba knew or should have known that the JM Memos were falsified and/or not authorized by JM and knew or should have known that the Younger Memos were backdated. Nevertheless, Saliba provided these memos to Enforcement in response to the October 7th Request.

129. By virtue of the foregoing, Saliba violated FINRA Rules 8210 and 2010 by making misrepresentations and providing false documents to FINRA.

SIXTH CAUSE OF ACTION

Falsification of OBA and PST Compliance Forms by Backdating and Providing Backdated Forms to FINRA by Saliba, Tabizon and Mansourian (FINRA Rule 2010)

130. The Department realleges and incorporates by reference paragraphs 1-129 above.

131. FINRA Rule 2010 requires registered representatives to “observe high standards of commercial honor and just and equitable principles of trade.” Backdating, or procuring backdated, documents and providing them to FINRA violates FINRA Rule 2010.

132. On or around April 19, 2013, Tabizon and Saliba directed Mansourian to procure backdated OBA and PST forms from five of the Firm’s registered representatives, and Tabizon used his personal email to forward blank OBA and PST forms to Mansourian at Mansourian’s personal email.

133. On April 20, 2013, at Saliba’s and Tabizon’s direction, Mansourian emailed the five registered representatives from his personal Gmail account and instructed the individuals to backdate the OBA and PST forms to February 2013 and return them to his Gmail or by fax.

134. On or around April 25, 2013, after receiving backdated forms from recipients of Mansourian’s April 20, 2013 email, Tabizon produced these backdated forms to Member Regulation without revealing that the forms had been backdated.

135. Saliba’s, Tabizon’s and Mansourian’s actions were done in such a way so as to avoid detection by FINRA and deceive FINRA into believing that the OBA and PST forms were signed in February 2013, not on the actual dates they were signed in April 2013.

136. By virtue of the foregoing, Saliba, Tabizon, and Mansourian violated FINRA Rule 2010 by failing to observe high standards of commercial honor and just and equitable principles of trade.

SEVENTH CAUSE OF ACTION

Causing the Firm to Maintain Inaccurate Books and Records by Saliba, Tabizon and Mansourian (FINRA Rules 4511 and 2010)

137. The Department realleges and incorporates by reference paragraphs 1-136 above.

138. FINRA Rule 4511 requires member firms to “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.”

139. Securities Exchange Act of 1934 Rule 17a-4 requires the preservation of communications, including electronic communications and internal communications and memoranda.

140. A violation of FINRA Rule 4511 is a violation of FINRA Rule 2010.

141. The JM Memos were not accurate because they were not prepared, signed or authorized by JM. The Younger Memos were not accurate, because they were backdated.

142. The Firm, however, maintained these inaccurate books and records from at least August 30, 2013, when they were initially produced to MAP, until at least October 28, 2013, when they were produced to Enforcement in response to the October 7th Request.

143. Saliba caused the Firm to maintain inaccurate books and records as he knew or should have known that the JM Memos were false, because they were not created or signed by JM and/or because he knew or should have known that the Younger Memos were backdated.

144. On at least April 19, 2013, Tabizon used his personal email account for Firm-related business communications.

145. On at least April 20, 2013, at Saliba's and Tabizon's direction, Mansourian used his personal email account for Firm-related business communications.

146. The Firm failed to maintain and preserve these Firm-related business emails sent and received by Tabizon and Mansourian from their personal email accounts.

147. By virtue of the foregoing, Saliba, Mansourian, and Tabizon violated FINRA Rules 4511 and 2010 by causing the Firm to fail to maintain and preserve accurate books and records.

EIGHTH CAUSE OF ACTION

Failure to Supervise by Younger (NASD Rule 3010(a) and (b), and FINRA Rule 2010)

148. The Department realleges and incorporates by reference paragraphs 1-147 above.

149. NASD Rule 3010(a) requires FINRA regulated broker-dealers to "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules."

150. NASD Rule 3010(b) requires FINRA regulated broker-dealers to establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered persons and other associated persons that are reasonably designed to achieve compliance with the applicable laws, rules and regulations.

151. Violation of NASD Rules 3010(a) and/or (b) is also a violation of FINRA Rule 2010.

152. Younger failed to supervise Saliba after the issuance of the Interim Restriction letter on August 15, 2012 and failed to ensure that he and the Firm complied with the Interim Restriction prohibiting Saliba from acting in a principal capacity.

153. From October 5, 2012 through March 11, 2014, Younger, the Firm's CEO and CCO and Saliba's designated supervisor, failed to establish and maintain a reasonable supervisory system, including written procedures, and took inadequate steps to ensure that the Firm and/or Saliba complied with the Interim Restrictions. Upon receiving the October 17, 2012 letter from MAP amending the Interim Restrictions, Younger did not institute any new policies, write any memos, or speak to the Firm's financial and operations principal who had been tasked with overseeing Saliba's participation in the Firm's finances, per the amended Interim Restrictions.

154. Similarly, Younger failed to supervise Saliba, Tabizon and Mansourian, with regard to the collection and provision of the backdated OBA and PST forms to FINRA in April 2013. Younger, who at the time in April 2013 was both the CEO and the CCO, and was each individuals' designated supervisor, took inadequate steps to prevent the individuals from procuring and providing to FINRA backdated compliance forms. Younger knew or should have known of the request to backdate the OBA and PST forms, because he was copied on and received Mansourian's April 20, 2013 email requesting the backdated documents.

155. Additionally, Younger failed to supervise Tabizon and Mansourian by permitting the use of personal email for Firm business, a practice prohibited by the Firm's WSPs.

156. By virtue of the foregoing, Younger violated NASD Rules 3010(a) and (b), and FINRA Rule 2010 by failing to establish and maintain a reasonable supervisory system,

including written procedures, and failing to reasonably supervise Saliba, Tabizon and Mansourian.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents 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;
- C. order that Respondents 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:

3/24/16

ACH

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