

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038224901**

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

RE: James William Murphy, Respondent
CRD No. 1142044

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, James William Murphy ("Murphy" or "Respondent") submits 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 Respondent 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

Murphy entered the securities industry in 1983. He became registered as a General Securities Representative in June 1983 with a predecessor firm to Morgan Stanley Smith Barney.¹ He remained registered with the Firm until May 30, 2013, when the Firm filed notice terminating his registration due to Murphy's voluntary retirement. The Firm filed an amended Form U5 on June 6, 2013 disclosing an internal review of Murphy initiated after "communications from the Arizona Attorney General's Office involving a charitable foundation account" and noting that Murphy retired "before the Firm could complete the review."

Murphy is not currently associated with any FINRA member. FINRA retains jurisdiction over Murphy pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Murphy has no prior disciplinary history.

¹ Morgan Stanley Smith Barney or any predecessor firm will be referred to herein as "the Firm."

FACTS AND VIOLATIVE CONDUCT

From approximately 2005 through 2013, Murphy misused and converted funds of a Firm brokerage customer -- a charitable foundation for which he served as a trustee -- for his own personal use. This conversion was accomplished through Murphy's use of credit cards to pay not only legitimate expenses of the charitable foundation, but also to pay his own personal expenses that were not authorized by the foundation. Murphy, without authorization, initiated electronic transfers from and drafted checks on the foundation's Firm brokerage account to pay the credit card accounts, which included the personal expenses charged to the cards. In this manner, Murphy converted more than \$100,000 from the charitable foundation.

FINRA Rule 2150(a) and NASD Rule 2330(a)² prohibit any person associated with a FINRA member from making "improper use of a customer's securities or funds." These rules are violated by using customer funds for any purpose not directed by the customer.

The State of Arizona charged Murphy in July 2013 with multiple related counts of felony theft and engaging in a fraudulent scheme by converting trust property each year between May 2005 and April 2013. Murphy pled guilty to a subset of the charges on September 27, 2013, and has paid approximately \$115,000 in court-ordered restitution to the charitable foundation.

By using the foundation's brokerage account funds without authorization to pay for personal expenses incurred on credit cards, Murphy converted and improperly used customer funds totaling more than \$100,000, in violation of FINRA Rules 2150(a) and 2110, and NASD Rules 2330(a) and 2110.³

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

- A bar from association with any FINRA member 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 sanctions 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 AWC.

² NASD Rule 2330(a) was superseded by FINRA Rule 2150(a), effective December 15, 2009.

³ NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

Respondent further specifically and voluntarily waives 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

Respondent understands that:

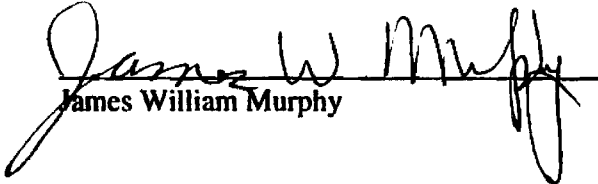
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

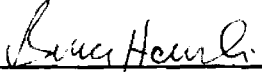
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's: (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.

Respondent certifies that he has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that he has 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 him to submit it.

3.31.14
Date (mm/dd/yyyy)


James William Murphy

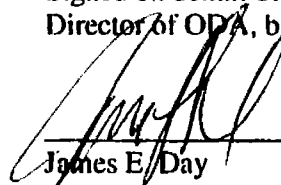
Reviewed by:


Bruce R. Heurlin
Heurlin Sherlock
1636 North Swan Road, Suite 200
Tucson, AZ 85712-4096
520-812-3526
Counsel for Respondent

Accepted by FINRA:

4/22/17
Date

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



James E. Day
Chief Counsel and Vice President
FINRA Department of Enforcement
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