

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038710502**

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

RE: Carl W. Busch
General Securities Principal
CRD No. 36837

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

Carl W. Busch first became associated with a FINRA member firm in 1969 and he received his Series 1 registration in September 1969. Busch became a General Securities Sales Supervisor in October 1982 and a General Securities Principal in March 2008. During the course of his career in the securities industry, Busch also obtained his Series 5, 15, 63 and 65 licenses. Busch was associated with several member firms from September 1969 through June 2007. Busch has been associated with WFG as a General Securities Representative since June 2007, as a General Securities Sales Supervisor since September 2007, and as a General Securities Principal since March 2008. Busch remains registered with FINRA and associated with WFG. Busch has no prior disciplinary history.

OVERVIEW

Busch failed to adequately supervise the sales practices of LMC, a registered representative of WFG, who (i) recommended and engaged in unsuitable trading in the IRA account of a retired customer; and (ii) exercised discretion without having obtained prior written authorization in the accounts of three customers.

Specifically, Busch failed to properly investigate red flags of sales practice violations by LMC.¹ As a result of the foregoing conduct, Busch violated NASD Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 requires member firms (and their supervisory personnel) to establish maintain and enforce supervisory procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations. Rule 3010 requires that a supervisor take reasonable steps to ensure that securities transactions are in compliance with applicable securities laws and regulations, and that he or she investigate red flags of potential misconduct and take appropriate action when misconduct has occurred.

FINRA Rule 2010 requires that member firms and associated persons “observe high standards of commercial honor and just and equitable principles of trade.” A violation of NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

LMC’s Misconduct

While LMC was associated with WFG, Busch was assigned by WFG to supervise LMC’s activities as a registered representative acting on behalf of WFG.

Between January 2011 and January 2012 (the “Relevant Time Period”), LMC engaged in the following sales practice violations:

- LMC recommended and purchases three unsuitable securities on behalf of his client CC, a retired doctor with a degenerative eye disease that prevents her from working. Specifically, between December 2010 and May 2011, LMC recommended that CC invest \$100,831 in GMX Resources Preferred Stock, a speculative investment in an Oklahoma based oil and gas exploration company. The GMX investment resulted in an almost complete loss when that company declared bankruptcy. During this same time frame, LMC also recommended that CC invest in two closed-end funds (Eaton Vance Tax-Managed Global Diversified Equity Income Fund and Eaton Vance Tax Managed Buy-Write Fund), both of which incurred substantial risk in the pursuit of yields exceeding 10% a year. Each of these three investments, which collectively constituted nearly one-half of the investable assets in CC’s account, carried level of risk that was unsuitable for a retired individual with known health problems, limited income, and limited liquid assets. They were also inconsistent with CC’s “moderate” risk tolerance.

¹ LMC has agreed to execute AWC No. 20130387101 for the sales practice violations referenced herein.

- LMC exercised discretion without written authorization in the accounts of three customers. Specifically, LMC executed approximately 229 discretionary trades in the account of customer CC, and approximately 1,100 discretionary trades in the accounts of JS and RS, a married couple. Moreover, LMC falsely denied using discretion on his annual compliance questionnaires in 2009, 2011, and 2012.

Busch Failed to Adequately Supervise LMC

During the Relevant Period, Busch failed to establish and maintain a supervisory system designed to ensure that transactions executed in the Firm's customer accounts were suitable. Moreover, Busch failed to adequately supervise LMC's sales practices, and failed to detect his unsuitable purchases of high-risk securities or his use of discretion without written authorization.

During the Relevant Time Period, Busch was on notice of numerous red flags that LMC was engaging in sales practice violations to the detriment of his customers:

- LMC reported conflicting and inconsistent information about customer CC on three separate new account forms, including that her net worth doubled in a two-and-a-half year period, that her income did not change after her retirement, and that her investment objectives and risk tolerance were listed as becoming more aggressive despite the fact that she had retired.
- On his 2010 annual compliance questionnaire, LMC admitted to using discretion, but failed to specify the accounts in which he did so.
- WFG's compliance department advised Busch that CC's account, as well as the accounts of other LMC customers, had commission-to-equity ratios that were a cause of potential concern.
- Busch's supervisor expressed concern to Busch that LMC was exercising discretion without written authorization. He also expressed concern to Busch about the suitability of trades being executed on behalf of various of LMC's customers.
- Busch's supervisor directed Busch to ensure the commission charges on LMC accounts that had commission-to-equity ratios that were a cause of potential concern were being reduced.

Despite the foregoing red flags, Busch, failed to take adequate steps to supervise LMC's sales activities. Rather than reaching out to customers directly to discuss their accounts with them, Busch instead sent out activity letters that did not require a response from customers. Busch asked LMC whether he was exercising discretion without written authorization, but did not verify this denial by reviewing phone records or contacting customers. Finally, Busch failed to ensure that LMC's customers were being charged a limited commission as he had been directed to do by his supervisor.

By failing to appropriately supervise the sales practices of LMC, Busch violated NASD Rule 3010 and FINRA Rule 2010.

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

A suspension in all principal capacities from association with a FINRA member firm for forty-five calendar days, and a fine of \$5,000.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am 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 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.

12-16-15
Date

Carl W. Busch
Respondent Carl W. Busch

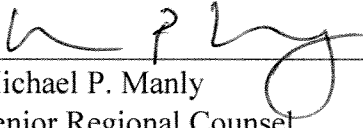
Reviewed by:


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Accepted by FINRA:

12/30/2015
Date

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



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