

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Ricky Eugene Bell
(CRD No.2065556)

Respondent.

DISCIPLINARY PROCEEDING
No. 2013039439301

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between January 2011 and January 2014 (“the relevant time period”), registered representative Ricky Eugene Bell sold securities away from his member firm, engaged in unauthorized customer loans, failed to respond to FINRA’s requests for information, and failed to provide on-the-record testimony.
2. During the relevant time period, without providing notice to, or receiving approval from, his member firm, Bell solicited firm customers to invest in an outside “lending program” that Bell offered, from which he received customer investments totaling approximately \$247,500. By soliciting these investments, Bell violated NASD Rule 3040 and FINRA Rule 2010.

3. During the relevant time period, Bell also borrowed a total of approximately \$19,650 from firm customers without seeking permission, or obtaining approval, from his member firm. By engaging in unauthorized customer loans, Bell violated FINRA Rules 3240 and 2010.
4. Further, Bell failed to respond to FINRA's requests for information and failed to provide on-the-record testimony, thereby violating FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

5. Bell entered the securities industry in 1993 and held Series 7, 63 and 65 licenses. Bell was associated with various member firms from 1993 through 2012, and in May 2012 he registered with FINRA member firm Cape Fear Securities, Inc. ("Cape Fear;" CRD No. 156359). Bell remained registered with Cape Fear until he was permitted to resign in December 2013.
6. Although Bell is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for the 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 Bell's registration with Cape Fear Securities, Inc., namely, December 10, 2013, and (2) the Complaint charges Bell with misconduct committed while he was registered or associated with a FINRA member and with failing to respond to FINRA requests for information and failing to appear for on-the-record testimony during the two-year period after the date upon which Bell ceased to be registered or associated with a FINRA member.

FIRST CAUSE OF ACTION
PRIVATE SECURITIES TRANSACTIONS
NASD RULE 3040 AND FINRA RULE 2010

7. The Department realleges and incorporates by reference paragraphs 1-6 above.
8. During the relevant time period, customer JM had an account at Cape Fear for which Bell served as the registered representative.
9. In early 2011, Bell solicited JM to invest in Bell's "lending program," which Bell described to JM as an investment opportunity reserved for Bell's select customers and closest friends. Bell told JM that investors' funds would be pooled together and used to provide high-interest loans to small businesses, thereby generating profits for investors.
10. JM invested a total of \$164,500 in Bell's lending program from January 2011 through October 2013, and Bell made interest payments to JM during that same time period which totaled approximately \$3,500; however, to date, Bell has not returned any principal to JM.
11. During the relevant time period, customers DB and VB, a retired married couple, had an account at Cape Fear for which Bell served as the registered representative.
12. In February 2012, Bell solicited DB and VB to invest in Bell's lending program. Bell provided DB and VB with the same description of the lending program that he had provided to JM, and referred to it as "HLT Investments."
13. DB and VB invested a total of \$83,000 into Bell's lending program between February 2012 and November 2012, and Bell gave personal checks to DB and VB during that

same time period as “interest payments” but requested that DB and VB refrain from cashing the checks and to consider them only as collateral in the event the lending program faltered. To date, Bell has paid approximately \$1,000 in interest to DB and VB; however, Bell has not returned any principal to DB and VB.

14. During the relevant time period, Cape Fear did not offer, nor did Cape Fear authorize Bell to solicit or sell, positions in any such “lending program” or in “HTL Investments” to customers.
15. Moreover, during the relevant time period, Bell did not notify Cape Fear that he intended to solicit or obtain investments in a “lending program” or in “HTL Investments,” or that he had done so. Bell also did not seek approval or receive permission from Cape Fear to participate in any manner in any private securities transactions.
16. By virtue of the foregoing conduct, Bell violated NASD Rule 3040 and FINRA Rule 2010.

SECOND CAUSE OF ACTION
UNAUTHORIZED CUSTOMER LOANS
FINRA RULES 3240 AND 2010

17. The Department realleges and incorporates by reference paragraphs 1-16 above.
18. During the relevant time period, customer PT had an account at Cape Fear for which Bell served as the registered representative.
19. Between approximately February 2011 and December 2012, Bell solicited and received at least \$10,650 in personal loans from customer PT.

20. During the relevant time period, customer BA had an account at Cape Fear for which Bell served as the registered representative.
21. Also during the relevant time period, Bell informed BA that Bell was having financial difficulties and solicited and received a \$9,000 personal loan from BA. To date, Bell has not repaid BA.
22. FINRA Rule 3240 prohibits registered persons from borrowing money from or lending money to any customer unless: (1) the representative's employing member firm has written procedures allowing borrowing from or lending to customers; (2) the borrowing or lending meets at least one of the conditions specified in Rule 3240(a)(2); and (3) the registered person notifies the firm of the borrowing or lending arrangements prior to entering into the arrangements and obtains pre-approval in writing.
23. During the relevant time period, Bell did not request or receive approval from Cape Fear to solicit or receive the aforementioned loans from customers. Moreover, during the relevant period, Cape Fear's procedures prohibited registered representatives from borrowing or lending money from or to any firm customer, and Cape Fear did not allow exceptions to this policy.
24. By virtue of the foregoing conduct, Bell violated FINRA Rules 3240 and 2010.

THIRD CAUSE OF ACTION

**FAILURE TO RESPOND TO REQUESTS FOR INFORMATION
FINRA RULES 8210 AND 2010**

25. The Department realleges and incorporates by reference paragraphs 1-24 above.

26. On December 17, 2013, pursuant to FINRA Rule 8210, FINRA staff sent Bell an information request, with a due date of January 3, 2014, and a separate request to appear in person on January 10, 2014 to provide on-the-record testimony. Both requests were sent via first class mail and certified mail, return receipt requested, to Bell's residential address listed in CRD.
27. Both certified mail receipts were returned to FINRA and indicated that the letters had been delivered on December 19, 2013 to Bell's residential address listed in CRD and that "G. Brock" had signed for the letters.
28. When Bell failed to submit a written response by the due date, on January 6, 2014, FINRA staff sent Bell a second request for information, pursuant to FINRA Rule 8210. This second request was sent via first class mail and certified mail, return receipt requested, to Bell's residential address listed in CRD.
29. Also on January 6, 2014, FINRA staff contacted Bell on his mobile phone and informed Bell that his response to the request for information was past due, and reminded Bell that he was scheduled to appear and provide on-the-record testimony on January 10, 2014. Bell informed FINRA staff that he would not appear on January 10 to provide on-the-record testimony. Bell neither requested, nor received, an extension of time to produce the requested information.
30. After Bell failed to appear, FINRA staff, on January 15, 2014, sent Bell a second request pursuant to FINRA Rule 8210 for Bell to appear on January 28, 2014 and provide on-the-record testimony. The request was sent via Federal Express, first class mail, and certified mail, return receipt requested, to Bell's residential address listed in CRD.

31. Federal Express tracking indicated that the letter was delivered on January 16, 2014 at 9:15am to Bell's residential address listed in CRD. The certified mail receipt was returned to FINRA and indicated that the letter had been delivered on January 17, 2014 to Bell's residential address listed in CRD and that "G. Brock" had signed for the letter.
32. Bell failed to produce the requested information to FINRA and failed to appear on January 28 to provide on-the-record testimony.
33. By virtue of the foregoing, Bell violated FINRA Rules 8210 and 2010.

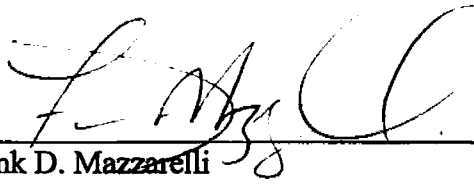
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that the Respondent 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: April 29, 2014



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