

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130394827 02**

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

RE: Jeffrey Davidson, Respondent
General Securities Representative
CRD No. 1352867

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jeffrey Davidson ("Davidson" 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. 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

Davidson first became registered with FINRA in 1987 as a General Securities Representative ("GSR") through his association with a member firm. Davidson went on to work at two additional member firms before becoming registered as a GSR through his association with American Portfolios Financial Services, Inc. (BD No. 18487) ("American Portfolios" or the "Firm") in January 2009. Davidson continues to be registered as a GSR at American Portfolios.

RELEVANT DISCIPLINARY HISTORY

Davidson does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulator, FINRA or any other self-regulatory organization.

OVERVIEW

This matter concerns Respondent's unsuitable mutual fund switching activity in 12 customer accounts during the period from May 2011 through May 2013 (the "Relevant Period"), in violation of NASD Conduct Rule 2310, IM-2310-2, and FINRA Rules 2111 and 2010.¹

FACTS AND VIOLATIVE CONDUCT

IM-2310-2 provides that "[i]mplicit in all member and registered representative relationships with customers and others is the responsibility for fair dealing." In addition, it states that trading in mutual fund shares, particularly on a short-term basis, may constitute a violation of the responsibility for fair dealing. Mutual fund shares generally are suitable only as long-term investments and are not a proper vehicle for short-term trading because the repeated buying and selling of mutual fund shares may harm customers by causing them to incur unsuitable transaction fees and commissions. Additionally, FINRA Rule 2111 and NASD Conduct Rule 2310 both require that a member have reasonable grounds for believing that a recommended securities transaction is suitable for the particular customer.

During the Relevant Period, Respondent recommended 49 unsuitable mutual fund switch transactions in 12 customer accounts. One of the customers to whom Respondent made these unsuitable recommendations was 97-years-old, and five others were 65 years of age or older. More specifically, all of the transactions involved Respondent's recommendation to purchase Class A mutual fund shares and to subsequently sell those shares within less than a year of the purchase, even though there were significant upfront costs associated with the purchase of Class A shares, and Class A shares are generally intended to be held long term. Respondent then recommended that the customers use the proceeds of the sales to purchase new Class A mutual fund shares, generally in different mutual funds from different fund families, causing the customers to pay sales charges and commissions.

Collectively, Respondent's customers, noted above, incurred approximately \$46,000 in unnecessary sales charges as a result of unsuitable recommendations. The Firm has paid those customers back for their losses.

By reason of the foregoing, Respondent violated NASD Conduct Rule 2310, IM-2310-2, and FINRA Rules 2111 and 2010.

B. I also consent to the imposition of the following sanctions:

1. A suspension from association with any FINRA member in any and all

¹ NASD Conduct Rule 2310 and IM-2310-2 apply to misconduct that occurred prior to July 9, 2012, and FINRA Rule 2111 applies to misconduct that occurred on or after July 9, 2012.

- capacities for three months; and
2. A fine of \$10,000.

I agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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 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 Securities Exchange Act of 1934. 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).

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.

1-4-2016

Date (mm/dd/yyyy)



Jeffrey Davidson, Respondent

Reviewed by:



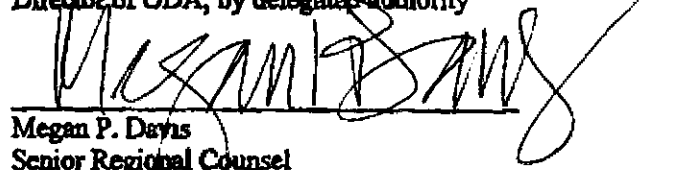
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Accepted by FINRA:

January 6, 2016

Date

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



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