

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014039874701**

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

RE: Debra K. Lyman, Respondent  
CRD No. 1100820

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Debra K. Lyman ("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**

Respondent was associated with Morgan Stanley (the "Firm") from June 1, 2009 through January 17, 2014, where she was registered as a general securities representative. Previously, Respondent was associated with the Firm's predecessors-in-interest, Morgan Stanley & Co. Incorporated from April 2, 2007 through June 1, 2009, and Morgan Stanley DW Inc. from May 11, 1998 through April 2, 2007, where she was registered in the same capacity. Respondent was terminated by the Firm for exercising discretion in client accounts with the clients' knowledge, but without obtaining written authorization. Respondent is not currently associated with a member of FINRA.

**RELEVANT DISCIPLINARY HISTORY**

Respondent has no relevant disciplinary history.

**FACTS AND VIOLATIVE CONDUCT**

NASD Conduct Rule 2510(b) prohibits registered representatives from exercising any discretionary power in a customer's account unless such customer has given

prior written authorization to the registered representative and the registered representative's member firm has provided prior written acceptance of the account as discretionary.

From January through November 2013, Respondent effected discretionary transactions in at least six customer accounts without obtaining prior written authorization from the customers and without having the accounts accepted as discretionary accounts by her employing FINRA member firm, as required by NASD Conduct Rule 2510(b) and the Firm's procedures.

Respondent had previously been reprimanded by the Firm for engaging in similar misconduct. Specifically, Respondent was suspended by the Firm from August 31, 2009 through September 4, 2009 for admitting to taking time and price discretion in clients' accounts. Additionally, on May 1, 2013, Respondent completed a Firm Employee Sales Questionnaire wherein she represented that, in the past 12 months, she had not transacted business on a discretionary basis for any account(s). That representation was not accurate.

As a result of the foregoing conduct, Respondent violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

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

A three-month suspension from association with any FINRA member firm in any capacity and a \$10,000 fine.

The fine shall be due and payable either immediately upon association with a member firm following the three-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim that she is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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.

## **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 her;
- 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 prejudice 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.

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 her;
- 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 her;
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. 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.

D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that she 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.

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

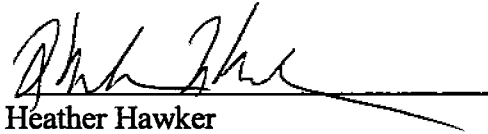
2/4/15  
Date (mm/dd/yyyy)

Debra K. Lyman  
Debra K. Lyman, Respondent

Accepted by FINRA:

2/27/15  
Date

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



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