

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Craig Gary Langweiler (CRD No. 841897),

Respondent.

DISCIPLINARY PROCEEDING
NO. 2014040347701

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period of November 19, 2013 through May 30, 2014 (the “Relevant Period”), while associated with Meyers Associates, L.P., now known as Windsor Street Capital, L.P. (“Meyers” or the “Firm”),¹ Respondent Craig Gary Langweiler excessively traded the account of Firm customer KK in violation of FINRA Rules 2111 and 2010. During the Relevant Period, Langweiler executed 257 trades – resulting in an annualized turnover of 28.85 and an annualized cost-to-equity ratio of 60.5%, and causing KK’s account to diminish in value by more than 25%. Langweiler’s trading was excessive and unsuitable, given that Langweiler was aware of the high cost-to-equity ratio for KK’s firm account yet engaged in this high volume trading to generate commissions of approximately \$27,092.

2. During the Relevant Period, Langweiler also exercised discretion in KK’s Firm account without receiving prior written authority from KK to do so or the approval of his

¹ Windsor was formerly known as Meyers Associates, L.P.

member firm. Langweiler's discretionary trading violated NASD Rule 2510(b) and FINRA Rule 2010, and facilitated Langweiler's excessive trading.

RESPONDENT AND JURISDICTION

3. Langweiler entered the securities industry in 1977 and has been associated with nine FINRA-regulated broker-dealers. Langweiler holds the following securities licenses: Series 7 (1977), Series 5 (1982), Series 8 (1987), and Series 63 (1987). From October 2011 to March 2017, Langweiler was associated with Meyers, a FINRA-regulated broker-dealer, as a General Securities Representative ("GSR"). In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated March 24, 2017, Meyers reported the voluntary termination of Langweiler's employment with the Firm.

4. Although Langweiler is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws because (i) the Complaint was filed within two years after the effective date of termination of Langweiler's registration with the Firm, namely, March 24, 2017; and (ii) the Complaint charges Langweiler with misconduct committed while he was registered or associated with a FINRA member firm.

FIRST CAUSE OF ACTION

Excessive Trading (FINRA Rules 2111 and 2010)

5. Enforcement realleges and incorporates by reference Paragraphs 1 through 4 above.

6. FINRA Rule 2111, which governs suitability, requires an associated person "who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not

excessive and unsuitable for the customer when taken together in light of the customer's profile." Among the obligations contained in the suitability rule is "quantitative suitability", which focuses on whether the number of transactions within a given timeframe is suitable in light of the customer's financial circumstances and investment objectives. Accordingly, a broker must have a reasonable basis to believe that the number of recommended transactions within a particular period is not excessive.

7. Excessive trading occurs when a registered representative has control over trading in a customer's account and the level of activity in that account is inconsistent with the customer's investment needs and objectives. Excessive trading violates the suitability standards set forth in FINRA Rule 2111 by representing an unsuitable frequency of trading.

8. Excessive trading is generally measured by the turnover rate and the cost-to-equity ratio. The turnover rate is the number of times the value of the account is turned over within a given period of time. The cost-to-equity ratio represents the percentage of return on the customer's average net equity needed to pay commissions and other account expenses over a given period of time. An annualized turnover ratio of six or more, or an annualized cost-to-equity ratio greater than 20 percent, is presumptive evidence of excessive trading.

9. FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010.

10. KK opened his Firm account on November 18, 2013 with a deposit of \$50,000. During the Relevant Period, Langweiler was the GSR for KK's Firm account.

11. KK deposited additional funds into his Firm account as follows: \$21,000 in December 2013, \$10,000 in January 2014, and \$10,000 in February 2014.

12. During the Relevant Period, Langweiler exercised control over KK's Firm account through his use of discretion. During the Relevant Period, Langweiler made the investment decisions in KK's account, including what to buy and sell, the quantities, the price, and when each transaction would occur.

13. During the Relevant Period, which measures 193 days, Langweiler executed approximately 257 trades in KK's Firm account. KK made no withdrawals, maintained an average monthly account balance of \$76,773.02, and incurred losses in excess of \$33,000. In comparison, Langweiler's gross purchases in KK's Firm account totaled approximately \$1,292,158, generating commissions of approximately \$27,000 and approximately \$5,400 in additional trading fees and administrative costs.

14. During the Relevant Period, the annualized turnover rate for KK's account was 28.85 and the annualized cost-to-equity ratio was 60.50%.

15. The trading that Langweiler effected in KK's Firm account was, as evidenced by the high annualized turnover and cost-to-equity ratios, excessive in light of the size and frequency of the transactions, the transaction costs incurred, the nature of the investments and the customer's financial situation, investment objectives and needs.

16. Langweiler tracked the cost-to-equity associated with KK's account and described it during his on-the-record testimony as both "ridiculous" and "outrageous." Because Langweiler knew that his trading outpaced the returns associated with KK's account, Langweiler lacked a reasonable basis to believe that the number of recommended transactions was suitable for KK. However, throughout the Relevant Period, Langweiler was experiencing significant financial distress as evidenced by, among other things, hundreds of thousands of dollars of unpaid judgments and liens filed against him.

17. By virtue of the foregoing conduct, Langweiler violated FINRA Rules 2111 and 2010.

SECOND CAUSE OF ACTION

**Unauthorized Discretionary Trading
(NASD Rule 2510(b) and FINRA Rule 2010)**

18. Enforcement realleges and incorporates by reference Paragraphs 1 through 17 above.

19. NASD Rule 2510(b) prohibits a registered representative from exercising discretion in a customer's account unless the customer has provided the registered representative with prior written authorization and the account has been accepted as such in writing as a discretionary account by the registered representative's member-firm employer.

20. During the Relevant Period, the Firm's written supervisory procedures ("WSPs") provided that the Firm did not accept discretionary accounts and prohibited its registered representatives from exercising discretion, including time and price discretion, on behalf of Firm customers.

21. Langweiler never sought, nor obtained, written authorization from KK to exercise discretion in KK's Firm account, and the Firm never approved KK's account as a discretionary account.

22. Notwithstanding this lack of authorization, Langweiler effected approximately 257 trades in KK's Firm account during the Relevant Period without first discussing with, and obtaining authorization for the trades from, KK.

23. By virtue of the foregoing conduct, Langweiler violated NASD Rule 2510(b) and FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Langweiler committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, 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; and
- C. order that Langweiler 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: 7/24/17


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