

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140407182**

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

**RE: Alexandra Newman, Respondent
General Securities Representative
CRD No. 5843498**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Alexandra Newman 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 her alleging violations based on the same factual findings described herein.

L

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 first became registered with FINRA as a General Securities Representative on April 15, 2011, through her association with FINRA regulated firm Morgan Stanley Smith Barney LLC (the "Firm"). She remained registered with FINRA in that capacity until her employment with the Firm terminated on March 14, 2014.

In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated March 31, 2014, the Firm reported that Respondent was terminated due to "concerns regarding employee's representations that she spoke to client prior to processing third party wire transfer requests."

Since her termination from the Firm, Respondent has not been registered with a FINRA-regulated firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no prior disciplinary history with the Securities and Exchange Commission, any state securities agency, FINRA or any other self-regulatory organization.

OVERVIEW

During the period February 18, 2014 through March 7, 2014, Respondent improperly caused four wire disbursements totaling \$512,500.50, to be transferred from Firm customer PN's account to third-party bank accounts. Respondent processed the wire disbursements based on e-mail instructions received from an imposter who had hacked into PN's e-mail account. While processing the wire disbursements, Respondent attested on firm records that she had confirmed the wire disbursements with the customer when she had not done so.

By making false attestations on the Firm's records that she had confirmed the wires with the customer, Respondent violated FINRA Rule 2010. By causing the Firm to maintain inaccurate books and records in connection with the wire disbursements, Respondent also violated FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 requires all associated persons to observe high standards of commercial honor and just and equitable principles of trade. A registered representative who makes false attestations on firm records violates FINRA Rule 2010.

FINRA Rule 4511 requires member firms to make and preserve books and records in conformity with FINRA rules, the Securities Exchange Act ("SEA") and applicable SEA rules. SEA Rule 17a-4(b)(4) requires firms to preserve records relating to communications concerning the firm's business. A registered representative who falsifies firm records concerning the firm's business violates FINRA Rules 4511 and 2010.

The Firm's written policies and procedures stated that clients could request via email wire transfers in amounts up to \$100,000 per day, without providing a client signature. Verbal confirmation of such orders is required. In addition, the employee who confirms the order with the client is required to complete and sign a firm document, called the Verbal Wire Processing Form ("Verbal Form"). When wire requests were received via LOA, the Firm's policy required that the LOA contain all information necessary to process the request and that the firm employee receiving the LOA complete a different firm form, the Outgoing Wire Transfer Form, and attach it to the LOA. The Firm's policy did not require verbal

confirmation of wires transfers requested via an LOA. At all relevant times, Respondent was aware of the Firm's policies and procedures.

Sometime in February 2014, PN's e-mail address was hacked into by an imposter. Thereafter, on four separate occasions during February and March 2014, an imposter posing as PN sent Respondent four separate emails requesting that Respondent process four separate wire disbursements from PN's account. Specifically, the imposter requested a disbursement to a local third party bank account on February 18, 2014 in the amount of \$62,500.50, and foreign third party bank accounts on February 25, 2014 in the amount of \$200,000 (subsequently recalled); March 6, 2014 in the amount of \$200,000 and March 7, 2014 in the amount of \$250,000.

In connection with the first request, Respondent wrote on the Verbal Form that she had confirmed the wire request with the customer at a specific phone number, even though she had not done so. In connection with the last three requests, Respondent wrote on the LOAs that she had confirmed the requests with the customer at a specific phone number even though she had not done so, and the firm's procedures did not require her to confirm those wire requests verbally with the customer.

By making false attestations on Firm records in connection with four wire disbursement requests, Respondent violated FINRA Rule 2010. By causing the Firm to maintain inaccurate books and records, Respondent violated FINRA Rules 4511 and 2010.

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

1. A suspension in all capacities for 30 days; and
2. A deferred fine of \$7,500.

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 funds, during the period of the bar or suspension (see FINRA Rules 8310 NAD 8311).

The fine shall be due and payable either immediately upon re-association with a member firm following the 30-day suspension noted above, or prior to any application or request for relief from a 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.

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 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.

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 Respondent; and**
- 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 response to public inquiries about Respondent's disciplinary record;**
 - 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 her: (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 understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that she 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 her to submit it.

12/2/2014
Date (mm/dd/yyyy)

Alexandra Newman
Alexandra Newman, Respondent

Accepted by FINRA:

1/26/15
Date

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

Susan Light
Susan Light
Senior Vice President & Chief Counsel
FINRA, Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, NY 10281
Tel: (646) 315-7333
E-mail: susan.light@finra.org