

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (“FINRA”)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JAMES DAVIS TRENT,
(CRD No. 2730687)

Respondent.

Disciplinary Proceeding
No. 2014041539301

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period from February 6, 2013 through January 9, 2014 (the “Relevant Period”), James Davis Trent (“Trent”) engaged in a pattern of recommending unsuitable short-term trading of Class A mutual fund shares to four customers, resulting in the customers (all of whom were elderly) incurring approximately \$6,362.50 in unnecessary sales charges, in violation of FINRA Rules 2111 and 2101.

RESPONDENT AND JURISDICTION

2. Trent first became associated with a FINRA member firm in March 1996. Trent was first registered as a general securities representative in May 1996. Trent was associated with various FINRA member firms from March 1996 to October 2012. Trent was then associated with AXA Advisors, LLC (“AXA”) in October 2012. Trent remained associated with AXA until May 23, 2014. Trent subsequently became associated with another FINRA member firm in May 2014. On February 22, 2017, this FINRA member firm filed a Uniform

Termination Notice for Securities Industry Registration (“Form U5”) on behalf of Trent.

Trent is not currently associated with a FINRA member firm.

3. Although Respondent Trent 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 Respondent Trent’s last period of registration with a FINRA member firm, namely on February 22, 2017; and (ii) the Complaint charges Respondent Trent with misconduct committed while he was registered or associated with a FINRA member firm.

FACTUAL BACKGROUND

4. During the Relevant Period, Trent serviced the accounts of four retired AXA customers: E.M., R.M., L.W. and L.P. Trent recommended all of the transactions that were executed in the four customers’ accounts at AXA including short-term trading involving Class A front-end loaded mutual funds.
5. As detailed below, in the 14 transactions at issue, Trent recommended the purchase of Class A mutual fund shares and, within less than a year, recommended the sale of the positions, resulting in an average holding period for the four customer accounts of six months.
6. The short-term trading activity in Class A mutual fund shares recommended by Trent to the four customers resulted in the customers incurring approximately \$6,362.50 in sales charges. Trent received approximately \$2,910.00 as his commission from the sales loads.
7. The significant upfront costs associated with the purchase of the Class A mutual fund shares and the subsequent sales within such a short period of time, resulted in unnecessary fees and charges paid by the four customers.

Customer E.M.

8. E.M was 85 years old at the time of the transactions at issue and had a stated investment objective of income with moderate growth. E.M's annual income was listed on his new account form as between \$50,000 and \$99,999 and his net worth was listed as between \$500,000 and \$749,000.
9. After E.M. opened his account with AXA, he surrendered an annuity which he had previously purchased through Trent and invested the proceeds from the annuity in various front-end loaded Class A mutual funds including the Oppenheimer Global Opportunity A fund (the "Oppenheimer Fund").
10. Specifically, in November 2013, Trent recommended that E.M. purchase a \$20,000 position in the Oppenheimer Fund. E.M. paid a front-end sales load in connection with this purchase in the amount of \$950. Trent received \$460 in commissions on E.M.'s purchase of the Oppenheimer Fund position.
11. In early January 2014, less than two months after E.M. purchased the Oppenheimer Fund position, Trent recommended that E.M. liquidate the position. E.M. liquidated the Oppenheimer Fund position and subsequently purchased various equity positions.
12. Trent's short-term trading recommendations involving Class A mutual fund shares for E.M.'s account included the following:

Date	Activity	Position/Description	Quantity	Price	Amount	Trent's Commission
11/20/13	Buy	Oppenheimer Global Opp A	490.68	40.76	20,005.00	\$460.00
01/09/14	Sell	Oppenheimer Global Opp A	490.68	41.98	20,578.62	
TOTAL						\$460.00

Customer R.M.

13. R.M. was 64 years old at the time of the transactions at issue and is retired due to a disability.

R.M. first met Trent in July 2010.

14. R.M.'s stated investment objective was growth with income. R.M.'s annual income was listed on his new account form as between \$25,000 and \$49,999 and his net worth was listed between \$100,000 and \$249,999.

15. In February 2013, Trent recommended and R.M. purchased Class A shares of the Franklin Income Fund.

16. In August 2013, Trent recommended and R.M. purchased Class A shares in the Investment Company of America and American High Income funds, respectively.

17. Two months later, in October 2013, Trent recommended that R.M. sell his position in the American High Income fund and R.M. agreed.

18. In November 2013, Trent recommended that R.M. sell his remaining position in the Franklin Income Fund, nine months after it was purchased. R.M. agreed and sold his remaining positions in the Franklin Income Fund.

19. The following month, December 2013, Trent recommended that R.M. sell his position in the Investment Company of America Fund. R.M. agreed and sold his position in the Investment Company of America Fund, four months after it was purchased.

20. R.M. paid front-end sales loads on the purchases of the Franklin Income, Investment Company of America and American High Income Funds in the aggregate amount of \$1,907.50. Trent received \$1,010 in commissions as a result of the three purchases.

21. Trent's short-term trading recommendations involving Class A mutual fund shares for

R.M.'s account included the following:

Date	Activity	Position	Quantity	Price	Amount	Trent's Commission
02/06/13	Buy	Franklin Income A ¹	9,205.02	2.39	22,000.00	\$425.00
08/21/13	Buy	Investment Company of America	407.28	36.83	15,005.00	\$360.00
08/26/13	Buy	American High Income A	1,376.94	11.62	16,005.00	\$225.00
10/24/13	Sell	American High Income A	1,383.77	11.43	15,796.47	
11/20/13	Sell	Franklin Income A	8,549.44	2.40	20,498.66	
12/04/13	Sell	Investment Company of America	408.87	38.10	15,557.91	
TOTAL						\$1,010.00

Customer L.W.

22. L.W. first met Trent in approximately 2007.

23. L.W. was 65 years old at the time of the transactions at issue. L.W.'s stated investment objectives were growth with income. L.W.'s annual income was listed on her new account form as between \$25,000 and \$49,999 and her net worth was listed as between \$25,000 and \$499,999.

24. In October 2013, Trent recommended that L.W. purchase Class A shares in the Franklin Income fund and the Investment Company of America Fund. L.W. purchased positions in both funds paying front-end sales loads in aggregate of \$2,637.50.

25. In January 2014, Trent recommended that L.W. sell her positions in the Franklin Income and the Investment Company of America funds, which L.W. had held for less than three months.

26. Trent received \$1,080 in commissions on L.W.'s purchase of the Franklin Income and Investment Company of America funds.

¹ R.M. sold portions of his position in the Franklin Income fund on a routine basis to fund withdrawals.

27. Trent's short-term trading recommendations involving Class A mutual fund shares for

L.W.'s account included the following:

Date	Activity	Position	Quantity	Price	Amount	Trent's Commission
10/21/13	Buy	Franklin Income A	14,056.23	2.49	35,005.00	\$685.00
10/28/13	Buy	Investment Company of America	503.40	39.73	20,005.00	\$395.00
01/03/14	Sell	Franklin Income A	14,180.52	2.40	34,013.26	
01/03/14	Sell	Investment Company of America	545.57	36.30	19,784.05	
TOTAL						\$1,080.00

Customer L.P.

28. L.P. was 69 years old at the time of the transactions at issue. L.P.'s investment objectives were growth with income. L.P.'s annual income was listed on her new account form as between \$25,000 and \$49,999 and her net worth was listed as between \$100,000 and \$249,999.

29. In June 2013 on Trent's recommendation, L.P. purchased a position in Class A shares of the Investment Company of America fund. L.P. paid a front-end sales load in the amount of \$867.50 in connection with this purchase.

30. Trent received \$360 in commissions on L.P.'s purchase of the Investment Company of America fund.

31. In December 2013, about six months after L.P. purchased the position in the Investment Company of America fund, Trent recommended that L.P. sell the positions. L.P. followed Trent's recommendation and sold her positions in the Investment Company of America fund.

32. Trent's short-term trading recommendations involving Class A mutual fund shares for L.P.'s account included the following:

Date	Activity	Position	Quantity	Price	Amount	Trent's Commission
06/10/13	Buy	Investment Company of America	409.28	36.65	15,005.00	\$360.00
12/05/13	Sell	Investment Company of America	412.55	37.99	15,652.93	
TOTAL						\$360.00

CAUSE OF ACTION

(Unsuitable Short-Term Trading) FINRA Rules 2111 and 2010

33. The Department realleges and incorporates by reference paragraphs 1 through 32 above.
34. FINRA Rule 2111, which became effective on July 9, 2012, requires that a member or associated person have a reasonable basis to believe that a recommended securities transaction or investment strategy is suitable for the customer, based upon information obtained through reasonable diligence regarding the customer's investment profile.
35. One requirement of the suitability obligation is that an associated person must have a reasonable basis to believe, based on reasonable diligence, that a recommendation is suitable for at least *some* investors.
36. Another requirement of the suitability obligation is that an associated person must have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not unsuitable for the customer when taken together in light of the customer's investment profile.
37. Class A mutual funds with front-end loads are unsuitable as short-term investments. Short-term trading of Class A mutual fund shares, such as purchases made with the intention to sell

within one year, are generally unsuitable due to the high transaction costs associated with such securities.

38. Given the long-term nature of investments in Class A mutual fund shares and the customers' investment profiles, Trent lacked a reasonable basis to believe that the recommended securities transactions, as alleged above, were suitable for customers E.M., R.M., L.W. and L.P. As a result, the recommended transactions were unsuitable for the four customers.
39. Based upon the foregoing, Trent violated FINRA Rules 2111 and 2010.

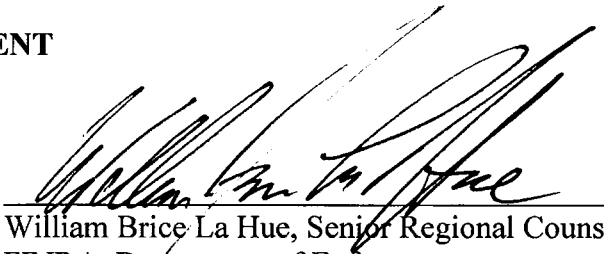
RELIEF REQUESTED

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; and
- C. Order that 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: 4/27/2017


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