

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

Department of Enforcement,

Complainant,

v.

James Davis Trent,
CRD No. 2730687,

Respondent.

Disciplinary Proceeding
No. 2014041539301

Hearing Officer: CC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: May 18, 2017

INTRODUCTION

Disciplinary Proceeding No. 2014041539301 was filed on April 27, 2017, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent James Davis Trent (the Respondent or Trent) submitted an Offer of Settlement (Offer) to Complainant dated May 9, 2017. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

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. Trent is subject to FINRA's jurisdiction pursuant to FINRA's By-Laws Article V, Section 4.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

FACTS

During the period from February 6, 2013 through January 9, 2014 (the Relevant Period), Respondent 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 retired) incurring approximately \$6,362.50 in unnecessary sales charges, in violation of FINRA Rules 2111 and 2010.

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. 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. 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.

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.

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. 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). 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. 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. 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.

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

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

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. 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.

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

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

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	545.57	36.30	19,784.05	

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

Date	Activity	Position	Quantity	Price	Amount	Trent's Commission
		America				
TOTAL						\$1,080.00

Customer L.P.

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. 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.

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

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.

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.

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.

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.

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. Based upon the foregoing, Trent violated FINRA Rules 2111 and 21010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

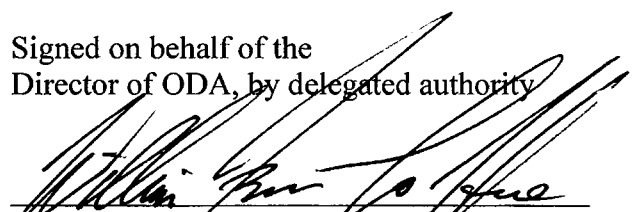
It is ordered that Respondent be suspended for six-months from associating with any FINRA member firm in all capacities. Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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