

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042420801**

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

**RE: J. Thaddeus Peter McGaffey, Respondent
CRD No. 3263062**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

L.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

J. Thaddeus Peter McGaffey ("McGaffey") entered the securities industry in 1999 as a General Securities Representative with a FINRA registered firm. In May 2013, he joined FINRA registered firm Waddell & Reed ("Waddell"), where he worked in the same capacity until August 1, 2014. McGaffey is not currently employed by a FINRA registered firm, but remains subject to FINRA jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

McGaffey has no disciplinary history.

OVERVIEW

McGaffey obtained a \$35,000 personal loan from one of his customers, though the loan would not have been allowed under Waddell's procedures, and he did not seek or obtain prior written approval from Waddell. McGaffey later falsely certified on a firm questionnaire that he had not borrowed from any firm client.

By borrowing from one of his customers, and acting in contravention to his firm's policy, McGaffey violated FINRA Rules 3240 and 2010.

FACTS AND VIOLATIVE CONDUCT

On July 31, 2013, shortly after joining Waddell, McGaffey entered into a loan agreement with his customer, E.W., for \$35,000. McGaffey agreed to pay the customer on a monthly basis beginning in October 2013.

FINRA Rule 3240 prohibits representatives from borrowing money from their customers unless the firm has written procedures allowing for the lending, the relationship with the customer meets enumerated criteria, and the representative follows the requirements for notice and pre-approval of the lending arrangement.

Waddell's procedures only allowed lending among representatives and customers where the customer was a member of the representative's immediate family and the representative received pre-approval of the loan from specified management on a conflict waiver form. The customer McGaffey borrowed from was not an immediate family member, and he did not notify his firm of the loan or seek prior approval of it.

On September 16, 2013, less than two months later, McGaffey certified to Waddell that he had no outstanding loans from customers and had not borrowed from a customer in the last twelve months.

McGaffey failed to make payments on the loan in October 2013 as required, and did not make any payments until the customer negotiated an amended loan agreement through her attorney in November 2014.

By borrowing from a customer in contravention of firm policy and without firm pre-approval, McGaffey violated FINRA Rules 3240 and 2010.

B. I also consent to the imposition of the following sanctions:

1. A suspension for three (3) months from association with any FINRA registered broker-dealer in any capacity;
2. Restitution in the amount of \$35,000 to customer E.W.; and,
3. A fine in the amount of \$5,000.

The fine shall be due and payable either immediately upon reassociation 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.

Restitution is ordered to be paid to the customer listed on Attachment A hereto in the total amount of \$35,000, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from July 31, 2013, until the date this AWC is accepted by the NAC.

Respondent shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Heather L. Freiburger, Principal Regional Counsel, FINRA; 55 W. Monroe Street, Suite 2700; Chicago, Illinois, 60603-5052 either by letter that identifies Respondent J. Thaddeus Peter McGaffey, FINRA Matter No. 20140424208, and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate the customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escrow, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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

I specifically and voluntarily waive the following rights granted under FINRA's Code of

Procedure:

- A. To have a Complaint issued specifying the allegations against me;**
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand 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 me; and**
- C. If accepted:**
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;**

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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

09/16/2015
Date (mm/dd/yyyy)


J. Thaddeus Peter McGaffey

Accepted by FINRA:

9/24/15
Date

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


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