

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042621701**

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

RE: Cecil Allen Ross, Respondent
Registered Representative
CRD No. 2391047

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Cecil Allen Ross 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 Respondent alleging violations based on the same factual findings described herein.

I.

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

Cecil Allen Ross first associated with a FINRA member firm in 1993. Between August 2004 and September 2014, Ross was registered as a General Securities Representative (Series 7) with Raymond James Financial Services ("RJFS" or the "Firm.") Ross voluntarily left the Firm in October 2014. Ross is currently associated with another FINRA member firm and is therefore subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

Between January 1, 2010 through October 31, 2014 (the "Relevant Period"), Ross engaged in an unsuitable pattern of short-term trading in Unit Investment Trusts ("UITs") in customer accounts. Based on the foregoing, Ross violated NASD Rule 2310 (for

conduct prior to July 9, 2012) and FINRA Rules 2111 (for conduct on or after July 9, 2012) and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA began its investigation after receiving a statement of claim filed against the Firm and Ross in connection with certain of the UIT sales discussed herein.

NASD Rule 2310(a) provided that “[i]n recommending . . . the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.” FINRA Rule 2111(a), which superseded NASD Rule 2310 on July 9, 2012, provides in relevant part that an associated person must have a “reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence . . . to ascertain the customer’s investment profile.”

A UIT is an investment company that offers investors shares or “units” in a fixed portfolio of securities for a specific period of time. A UIT terminates on a specified maturity date, often after twenty-four months. Upon termination at maturity, the investment company sells the securities in the UIT portfolio and pays the resulting proceeds to the investors. UITs are not actively managed after the type and amount of each security is chosen prior to inception.

A purchaser of a UIT incurs a variety of sales charges. For example, during the Relevant Period, a typical 24-month UIT contained three separate charges: (1) an initial sales charge, which was generally 1% of the purchase price; (2) a deferred sales charge, which was generally up to 2.5% of the offering price and deducted within three to six months of the initial offering period; and (3) a creation and development fee (“C&D fee”), which was generally 0.5% of the offering price.¹ If the proceeds from the sale of a UIT were “rolled over” to fund the purchase of a new UIT within a set period of time, usually thirty days, UIT sponsors often waived the initial sales charge but still applied the deferred sales charge and C&D fee.

Thus, the sale of a UIT before the maturity date and use of the sale proceeds to invest in units of new UITs causes the customer to incur greater sales charges than if the customer had held the UIT units until the UIT maturity date.

During the Relevant Period, in connection with the 287 customer accounts, Ross recommended that customers sell their UITs well short of their maturity dates and roll over their investments into new UITs. The majority of the UITs that Ross recommended had maturity dates of at least twenty-four months and carried net sales charges of up to 3.95%. Despite the costs associated with purchasing units in new UITs, Ross

¹ In addition to these charges, most UITs charged annual operating expenses that are paid to the sponsor out of the assets of the UIT.

recommended that most of his customers sell and roll over their positions in UITs after less than one year. The average period of time that these 287 customers held their positions in UITs was approximately 305 days.

Ross's recommendations, which caused his customers to incur unnecessary excess sales charges, were unsuitable considering the frequency and cost of the transactions.²

As a result of the foregoing conduct, Ross violated NASD Rule 2310 (for conduct prior to July 9, 2012) and FINRA Rules 2111 (for conduct on or after July 9, 2012) and 2010.

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

- A suspension from association with any FINRA member in all capacities for four months; and,
- A fine of \$5,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which Respondent proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim inability to pay, now or at any time thereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he 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, he 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

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 him;

² The Firm has agreed to pay restitution to customers relating to the early sale of UITs pursuant to a settlement with the Securities and Exchange Commission. See *Raymond James Financial Services, et al.*, SEC Administrative Proceeding File No. 3-19464 (Sept. 2019).

- 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 action brought by FINRA or any other regulator against Respondent;
 - 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. 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 Respondent's (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 he 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 he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

12/6/2019
Date


Cecil Allen Ross
Respondent

Reviewed by:

Donald R. Littlefield
Ballard & Littlefield, LLP
16475 Dallas Parkway, Suite 400
Dallas, Texas 75001-6837

Accepted by FINRA:

12/18/2019
Date

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

A handwritten signature in blue ink, appearing to read "Andrew Friedman", is written over a horizontal line.

Andrew Friedman
Principal Counsel
FINRA
Department of Enforcement
15200 Omega Drive
Suite 300
Rockville, MD 20850

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