

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042741201**

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

RE: Raymond Daniel Schmidt ("Schmidt"), Respondent
CRD No. 3258497

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.

I.

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

Schmidt entered the securities industry in June 1999 and has been associated with several FINRA-regulated broker-dealers. In April and June 2000, Schmidt became registered as a Series 6 Investment Company Products/Variable Contracts Representative and a Series 63 Uniform Securities Agent, respectively. In July 2003, Schmidt became registered as a Series 7 General Securities Representative. In October 2006, he became registered as a Series 24 General Securities Principal.

In July 2006, Schmidt became associated with LPL Financial LLC (the "Firm"), a FINRA-regulated broker-dealer. In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated September 24, 2014, the Firm reported that on August 25, 2014, Schmidt had "resigned while under internal review" by the Firm.

Schmidt is not currently associated with a FINRA-regulated broker-dealer. Pursuant to Article V, Section 4 of FINRA's By-Laws, Schmidt remains subject to FINRA's jurisdiction until September 23, 2016.

RELEVANT DISCIPLINARY HISTORY

Schmidt has no disciplinary history in the securities industry.

OVERVIEW

From approximately May 2009 through November 2012, Schmidt violated NASD Rule 2370 and FINRA Rules 3240 and 2010 by borrowing approximately \$2.25 million from seven Firm customers. From May 2009 through August 2014, Schmidt violated NASD Rule 3030 and FINRA Rules 3270 and 2010 by engaging in outside business activities without notifying the Firm. Additionally, between 2009 and 2014, Schmidt violated FINRA Rule 2010 by submitting to the Firm five false compliance questionnaires and three false disclosures of outside business activities and loans. Schmidt also violated FINRA Rules 8210 and 2010 by failing to respond to a FINRA request for documents and information issued pursuant to FINRA Rule 8210.

FACTS AND VIOLATIVE CONDUCT

Prohibited Customer Loans

NASD Rule 2370 and FINRA Rule 3240¹ provide that a registered representative may not borrow funds from his or her customer except in certain circumstances, and only then with the consent of the registered representative's FINRA-regulated broker-dealer employer. A violation of NASD Rule 2370 or FINRA Rule 3240 is also a violation of FINRA Rule 2010, which requires a registered person to observe high standards of commercial honor and just and equitable principles of trade.

From approximately May 2009 through November 2012, Schmidt borrowed \$2,254,818.57 from seven Firm customers, as set forth below, for the purpose of purchasing real estate in Hawaii and constructing a vacation rental property on the premises:

No.	Customer	Loan amount
1.	MB and AB	\$350,000
2.	JD and CD	\$175,000
3.	WD and MD	\$850,446.57
4.	CK	\$428,619
5.	CM	\$175,753
6.	RS	\$100,000
7.	LW and MW	\$175,000
	Total:	\$2,254,818.57

¹ NASD Rule 2370 was superseded by FINRA Rule 3240 effective June 14, 2010.

At the time each loan was extended, the lender was Schmidt's customer. The Firm's written procedures prohibited registered representatives from borrowing money from a customer subject to certain exceptions not applicable here.

By virtue of his conduct, Schmidt violated NASD Rule 2370 (for conduct occurring before June 14, 2010), FINRA Rule 3240 (for conduct occurring on or after June 14, 2010), and FINRA Rule 2010.

Undisclosed Outside Business Activities

NASD Rule 3030 and FINRA Rule 3270² prohibit a registered representative from engaging in any business activity outside the scope of his or her employment without providing written notice to his or her FINRA-regulated broker-dealer employer. A violation of NASD Rule 3030 or FINRA Rule 3270 is also a violation of FINRA Rule 2010.

In or around May 2009, Schmidt purchased a real estate investment in Hawaii, which he developed into a vacation rental property that opened for business in or around May 2012. Schmidt was the sole owner and operator of the property and the business. Schmidt failed to notify the Firm of this outside business activity.

By virtue of this conduct, Schmidt violated NASD Rule 3030 (for conduct occurring before December 15, 2010), FINRA Rule 3270 (for conduct occurring on or after December 15, 2010), and FINRA Rule 2010.

False Statements to a FINRA-Regulated Broker-Dealer

Making false statements to a FINRA-regulated broker-dealer violates FINRA Rule 2010.

Between 2009 and 2014, Schmidt submitted five compliance questionnaires to the Firm in which he falsely denied borrowing funds from any Firm customer and failed to disclose the Hawaii real estate investment or vacation rental property in response to questions asking whether Schmidt was engaged in any outside business activities.

In 2013, Schmidt submitted to the Firm disclosures of two loans related to his purchase of the Hawaii real estate investment and construction of the vacation rental property in which he falsely stated that the reason for the loans was for construction of his personal residence. In 2013, Schmidt also submitted to the Firm a disclosure of outside business activities related to the vacation rental property in which he falsely represented, among other things, that he did not own any interest in the vacation rental property.

By reason of this conduct, Schmidt violated FINRA Rule 2010.

² NASD Rule 3030 was superseded by FINRA Rule 3270 effective December 15, 2010.

Failure to Comply with a FINRA 8210 Request for Documents and Information

FINRA Rule 8210(a)(1) states, in relevant part, that FINRA staff have the right to "require a member, person associated with a member, or any other person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically ... with respect to any matter involved in the investigation." FINRA Rule 8210(c) states that "[n]o member or person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule." A violation of FINRA Rule 8210 is also a violation of FINRA Rule 2010.

On February 13, 2015, FINRA's Department of Enforcement ("Enforcement") sent a request to Schmidt for documents and information pursuant to FINRA Rule 8210. Schmidt failed to provide the documents and information requested in Enforcement's Rule 8210 request and stated in a phone call with Enforcement that he will not provide the requested documents and information and will not cooperate further with Enforcement's investigation.

By failing to provide documents and information as requested pursuant to FINRA Rule 8210, Schmidt violated FINRA Rules 8210 and 2010.

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

A bar from association with any FINRA-regulated broker-dealer in any capacity.

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. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

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

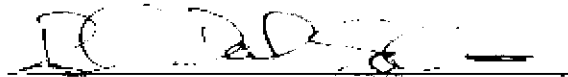
I understand that:

- 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.

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.

3/18/2015
Date (mm/dd/yyyy)


Raymond Daniel Schmidt, Respondent

Accepted by FINRA:

3/25/15
Date

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


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