

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042917901**

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

RE: Debra J. Ferrara, Respondent
Non-Registered Fingerprint Person
CRD No. 1143271

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Debra J. Ferrara ("Ferrara" or "Respondent") 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. 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

Ferrara entered the securities industry in May 1983. From June 1, 2005 to June 1, 2009, Ferrara was associated with Citigroup Global Markets Inc., a predecessor to Morgan Stanley Smith Barney ("Morgan Stanley" or the "Firm"). As a result of a mass transfer, Ferrara became employed with the Firm on June 1, 2009. Ferrara was employed as a non-registered client service associate in the New York, New York branch office of the Firm. By virtue of her activities as a client service associate with Morgan Stanley, Ferrara was an associated person of FINRA as that term is defined in Article I, paragraph (rr) of the FINRA By-laws. Ferrara was terminated by the Firm in December 2011 for falsely attesting on verbal wire processing forms that she spoke to a client prior to executing wire transfers when she had not done so.

From May 24, 2013 through April 9, 2015, Ferrara was associated as a non-registered fingerprint person with another FINRA member firm.

Since April 2015, Ferrara has not been associated with a FINRA member firm. Pursuant to Article V, Section 4 of FINRA's By-laws, Ferrara remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

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

OVERVIEW

Between November 21, 2011 and December 2, 2011, Ferrara falsified firm forms in connection with five fraudulent wire transfers totaling \$108,680 from the account of Firm customer AAP, a professional organization, to domestic third-party bank accounts. Ferrara submitted the wire transfers for processing based on email instructions she received from an imposter posing as an authorized party for the AAP account. The imposter hacked into the email account of SA, an authorized party for the AAP account. On each form, Ferrara stated that she verbally confirmed each wire transfer request with the authorized party of the customer when she had not done so. On the forms, Ferrara also provided fictitious reasons for the transfer such as bills, medical bills or bills payment, when she had not obtained that information from the imposter nor had she confirmed the information with an authorized party associated with the customer. By virtue of her misconduct, Ferrara violated FINRA Rule 2010, for submitting false information to the Firm in order to effect the wire transfers. She also violated NASD Rule 3110 and FINRA Rule 2010 when she caused the Firm to maintain inaccurate books and records.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 requires all associated persons to observe high standards of commercial honor and just and equitable principles of trade.

NASD Rule 3110¹, which was in effect at the time of the misconduct here, required each member to make and preserve books and records in conformity with Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934. Exchange Act Rule 17a-4(b)(4) requires a firm to preserve inter-office memoranda and communications relating to the firm's business.

At the time of the misconduct, falsification of a firm's books and records violated NASD Rule 3110 and FINRA Rule 2010. Making false statements on a firm's documents in an effort to improperly process transactions is an independent violation of FINRA Rule 2010.

¹ NASD Rule 3110 was superseded by FINRA Rule 4511 on December 5, 2011.

The Firm's written policies and procedures required employees to verbally confirm with customers wire transfer requests to third-party bank accounts prior to processing wire transfers. The Firm also required the employees to memorialize the client contact in the Firm's internal systems through a verbal wire processing form.

In November 2011, Ferrara was a client service associate at the Firm. She supported the financial advisor responsible for the AAP account in the day to day administration of this account. On November 21, 2011, an imposter posing as SA (the authorized party for the AAP account) hacked into SA's email account and sent an email to the financial advisor from SA's actual email account. Unbeknownst to the financial advisor and Ferrara, the email had been sent by an imposter posing as SA. In this email, the imposter asked for the account balance. After the financial advisor sent the imposter the account balance, the imposter requested a domestic wire transfer of \$27,750 from the AAP account to a third-party account. The financial advisor forwarded the emails from the imposter to Ferrara to process the wire transfer. On the same day, Ferrara completed the verbal wire processing form stating that she had verbally confirmed the wire transfer request with SA when in fact she had not done so. Ferrara then submitted the form to the Firm, and the Firm effected the wire transfer.

On November 23, 2011, the imposter, posing as SA, sent an email directly to Ferrara from an email account that looked similar to SA's email, but was in fact different. One "m" in the middle of the address had been changed to an "n." The email requested Ferrara to process two domestic wire transfers of \$23,050 and \$17,850 (for a total of \$40,900) from the AAP account to two domestic third-party accounts. On the same day, Ferrara completed two verbal wire processing forms. On each form, she stated that she had verbally confirmed the wire transfer request with SA when she had not done so. Ferrara then submitted the forms for processing. The funds were wired as requested by the imposter.

On November 30, 2011, the imposter again sent an email directly to Ferrara from the email account similar to that of SA. The email requested that Ferrara effect two more domestic wire transfers of \$23,000 and \$17,030 (for a total of \$40,030) from AAP's account to two different, third-party beneficiaries and domestic bank accounts. On December 1, 2011, the imposter sent another email from the altered email account of SA to Ferrara stating that he has "asked for the return of the yesterday wire of \$23,000...kindly email me and let me know as soon as the money gets in ..." Ferrara inquired via an email if there was a problem, and to that the imposter sent another email stating there was no problem and provided new wiring instructions to transfer \$23,000 to a different domestic third-party account. Despite being aware of an issue with the wire transfer and receiving a new set of instructions to wire funds to a different third-party account, Ferrara did not contact the authorized party on the account. On December 1 and December 2, 2011, Ferrara completed verbal wire processing forms for \$23,000 and \$17,030 respectively. On each of these forms, Ferrara stated that she had verbally confirmed the wire transfer requests with SA when in fact she had not done so. Ferrara submitted the two forms for processing, and \$17,030 was wired by the Firm. However,

the wire transfer for \$23,000 did not go through "due to beneficiary account number incorrect."

On December 2, 2011, Ferrara requested via email that the imposter call her. The imposter responded that he was away at his nephew's funeral and would not be able to talk that very moment. On the same day, Ferrara and the financial advisor contacted SA. They discovered that the five wire transfer requests were fraudulent. The Firm recovered part of the total funds transferred out of the AAP account, and it credited the remaining balance of \$66,244 to the AAP account.

For each of the five wire transfers, Ferrara did not verbally confirm the wire request with an authorized party for the AAP account. On each verbal wire processing form, Ferrara falsely attested that she had verbally confirmed the wire transfer requests with SA, when in fact she had not done so. In addition, on these wire processing forms, Ferrara wrote a reason for the wire transfer requests -- bills, medical bills or bills payment -- when she had not obtained that information from the imposter or the authorized party. Though Ferrara assumed the reason for the transfers based on her past experience with the customer, she failed to confirm the information with the authorized party for the AAP account in connection with the above wires. Ferrara also ignored red flags of potential fraud that included: the frequency with which the transfers were being requested; a returned wire with new wiring instructions for the same amount to a different third-party account; and the difference in email address used by the imposter to that of the actual email address of the authorized party for the AAP account.

The false attestations Ferrara made on the verbal wire processing forms caused the Firm's books and records to be inaccurate, in contravention of the Firm's obligation to make and preserve accurate books and records. Ferrara's conduct violated NASD Rule 3110 and FINRA Rule 2010. Further, by falsifying the Firm's records, Ferrara violated FINRA Rule 2010.

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

- a 60-calendar day suspension from association with any FINRA member firm in any capacity; and
- a \$5,000 deferred fine

The fine shall be due and payable either immediately upon re-association with a member firm following the 60-calendar day 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.

Respondent has submitted an Election of Payment form showing the method by which she proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that she is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member, Respondent 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, Respondent 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 sanction 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 her;
- 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 actions brought by FINRA or any other regulator against her.**
 - 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. She 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 her (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 she 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 Debra J. Ferrara certifies that she has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that she has 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 her to submit it.

9/20/2016
Date

Debra J. Ferrara
Debra J. Ferrara
Respondent

Reviewed by:

Elizabeth F. Bernhardt
Elizabeth F. Bernhardt, Esq.
Counsel for Respondent
Cohen & Gresser LLP
800 Third Avenue
New York, NY 10022
Phone: 212-957-7564

9/22/16
Date

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

Susan Light
Susan Light
Sr. Vice President & Chief Counsel
FINRA, Department of Enforcement
One Brookfield Place
200 Liberty Street
New York, New York 10281
Phone: 646-315-7333
Fax: 301-527-3411
Email: susan.light@finra.org

10/14/16