

**FINANCIAL INDUSTRY REGULATORY AUTHORITY**

**OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

William Eric Rice (CRD No. 2255148),

Respondent.

DISCIPLINARY PROCEEDING

No. 2015043295202

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. Respondent William Eric Rice willfully failed to timely disclose both a felony charge and felony guilty plea for driving under the influence (“DUI”) on his Uniform Application for Securities Industry Registration (“Form U4”). This conduct violated FINRA By-Laws Article V, Section 2(c), and FINRA Rules 1122 and 2010.

**RESPONDENT AND JURISDICTION**

2. Rice first entered the securities industry in July 1992 as a General Securities Representative. From August 4, 2004 to August 7, 2015, Rice was registered with FINRA through an association with member firm First Independent Financial Services, Inc. (“FIFS” or the “Firm”). Rice, during all periods mentioned herein, was associated with FIFS, and was registered with FINRA under Article V of the By-Laws as a General Securities Representative, General Securities Principal, Investment

Banking Representative and Registered Options Principal. On December 1, 2011, Rice also obtained his Operations Professional license.

3. On August 7, 2015, FIFS filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) stating that Rice was voluntarily terminated as of the same date.
4. Although Rice is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent’s registration with FIFS, namely, August 7, 2015, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

#### FIRST CAUSE OF ACTION

Willful Failure to Timely Update Form U4 to Disclose Material Information –  
Felony Charge and Felony Conviction  
(FINRA By-Laws, Article V, Section 2(c) and FINRA Rules 1122 and 2010)

5. The Department realleges and incorporates by reference paragraphs 1 through 4 above.
6. Article V, Section 2(c) of FINRA’s By-Laws requires associated persons to keep their Form U4 applications “current at all times,” and that amendments to Form U4s “be filed with [FINRA] not later than 30 days after learning of the facts or circumstances giving rise to the amendment.”
7. FINRA Rule 1122 provides that “[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which

is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.”

8. FINRA Rule 2010 provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”
9. Question 14A(1)(b) of the Form U4 asks: “Have you ever...been *charged* with any *felony*?”
10. On July 31, 2009 Rice was arrested for a DUI in Cowley County, Kansas. On August 11, 2009, and as later amended, the State of Kansas filed a Complaint/Information charging Rice with a DUI felony.
11. Question 14A(1)(a) of the Form U4 asks: Have you ever...been convicted of or pled guilty or nolo contendere (“no contest”) in a domestic, foreign, or military court to any *felony*?
12. On November 2, 2009, Rice voluntarily pled guilty to, and was convicted of, a felony DUI in violation of K.S.A. 8-1567. It was his fourth or subsequent DUI offense.
13. From September 11, 2009 to June 29, 2015, Rice willfully failed to timely amend his Form U4 to disclose the material fact that he had been charged with a felony. From December 3, 2009 to June 29, 2015, Rice willfully failed to timely amend his Form U4 to disclose the material fact that he had pled guilty to a felony. FIFS finally amended Rice’s Form U4 to disclose both the felony charge and felony guilty plea on June 30, 2015 as a result of FINRA’s investigation.

14. Based on the foregoing, Rice willfully violated Article V, Section 2(c) of FINRA's By-Laws, and FINRA Rules 1122 and 2010.

SECOND CAUSE OF ACTION

False Attestations on Firm's Annual Compliance Questionnaire  
(FINRA Rule 2010)

15. The Department realleges and incorporates by reference paragraphs 1 through 14 above.
16. While associated with FIFS, Rice misled his firm by completing annual attestations on October 22, 2009, November 10, 2010, September 9, 2011, July 2012, June 11, 2013, and April 11, 2014, falsely representing that he had no new disclosures to report. Specifically,

- On October 22, 2009, Rice checked "True" in response to the statement "I understand my responsibility to report immediately any information that would result in a change in my Form U4. I have reported all such information, if applicable, since my last report." Rice also acknowledged that he understood that he has "an ongoing obligation to promptly notify the firm of any new...disclosures."
- On November 10, 2010, Rice checked "No" in response to the statement "I have a new disclosure to report on Section 14 of Form U4." Rice also acknowledged that he understood that he has "an ongoing obligation to promptly notify the firm of any new...disclosures."
- On September 9, 2011, Rice checked "No" in response to the statement "I have a new disclosure to report on Section 14 of Form U4." Rice also acknowledged that he understood "that the accuracy of the information contained in [his] Form U4 is [his] responsibility" and that the answers he has provided are "true and accurate."
- In July 2012, Rice's annual attestation stated that "Maintaining the completeness and accuracy of [the Form U4] is your responsibility. This includes the disclosure of events you may not wish to discuss like felony convictions...You must report any and all information and disclosures immediately and accurately...You are solely responsible for making sure the information is complete and truthful." Rice checked "No" in response to the statement "I have a new disclosure to report on Section 14 of Form U4."

Rice also specifically acknowledged “I have read and understand my U4 disclosures. I have disclosed all required information and I hereby affirm this information to be accurate and truthful to the best of my knowledge. I agree that I must promptly notify the firm of any new information of disclosures or changes in existing information or disclosures...I understand that the requirement to disclose information requested on Form U4 is a legal requirement, and a failure to provide this disclosure...is deemed to be a condition of my registration, and a failure to do so may result in disciplinary action, including possible termination with cause.”

- On June 11, 2013 and April 11, 2014, Rice’s annual attestation stated that “Maintaining the completeness and accuracy of [the Form U4] is your responsibility. This includes the disclosure of events you may not wish to discuss like felony convictions...You must report any and all information and disclosures immediately and accurately...You are solely responsible for making sure the information is complete and truthful.” Rice checked a box indicating that he “[had] reviewed [his] U4 and [had] no changes to report at this time.” Rice also specifically acknowledged “I have disclosed all required information and I hereby affirm this information to be accurate and truthful to the best of my knowledge. I agree that I must promptly notify the firm of any new information of disclosures or changes in existing information or disclosures...I understand that the requirement to disclose information requested on Form U4 is a regulatory requirement, and a failure to provide this disclosure...is deemed to be a condition of my registration, and a failure to do so may result in disciplinary action, including possible termination with cause.”

17. The foregoing attestations were false in light of Rice being charged with a felony and pleading guilty to a felony. By his actions, Rice failed to observe high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

### **RELIEF REQUESTED**

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;

- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent's conduct, as alleged in the First Cause of Action, was willful; the omitted information was material; and, the omission to state material facts was on a Form U4 application;

**FINRA DEPARTMENT OF ENFORCEMENT**

Date: April 19, 2016



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