

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Carlton I. Phelps (CRD No. 6403922),

Respondent.

DISCIPLINARY PROCEEDING
No. 2015044145201

Hearing Officer - _____

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During a three-month period in late 2014, Respondent Carlton I. Phelps ("Respondent" or "Phelps") engaged in check kiting by (a) writing 14 checks from his bank accounts knowing that he had insufficient funds to cover the checks, (b) then depositing the 14 checks into other bank accounts, and (c) shortly thereafter, improperly withdrawing funds to which he was not entitled from the latter bank accounts.
2. In total, Phelps wrote bad checks worth \$4,715 and obtained at least \$1,343.73 in funds to which he was not entitled.
3. As a result of the foregoing, Phelps violated FINRA Rule 2010.

RESPONDENT AND JURISDICTION

4. Phelps first became associated with FINRA member firm Citigroup Global Markets Inc. ("Citigroup") on October 2, 2014 as a non-registered fingerprint person.
5. On October 9, 2014, Citigroup filed a U4 on behalf of Phelps.
6. Phelps never obtained any securities licenses.
7. Citigroup terminated Phelps' association by Form U5 dated January 8, 2015.
8. While associated with Citigroup, Phelps was also employed by Citibank, N.A. ("Citibank").
9. Although Respondent is no longer 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 date upon which he ceased to be associated with a FINRA member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member.

FIRST CAUSE OF ACTION (Unethical Conduct – Check Kiting) (FINRA Rule 2010)

10. The Department realleges and incorporates by reference paragraphs 1 through 9 above.
11. From at least July 2014 to December 2014, Phelps maintained personal and business checking accounts at his employer, Citibank.

12. Between October 11, 2014 and December 14, 2014, while associated with Citigroup, Phelps wrote and deposited 14 checks, payable to himself, into personal and business bank accounts that he maintained at Citibank.
13. Each of the 14 checks was drawn on a bank account that was also maintained by Phelps at Citibank.
14. At the time that Phelps wrote and deposited each of the 14 checks, he knew that he had insufficient funds in his accounts to cover the checks.
15. The dollar amount of the checks that Phelps deposited ranged from \$250 to \$430 and totaled \$4,715.
16. Shortly thereafter and on the same day as each deposit, Phelps withdrew money from the account in which he deposited the check.
17. Each of the checks was subsequently returned for insufficient funds as follows:

Check Deposit Date	Amount	Date of Withdrawal	Amount of Withdrawal	Date Check Returned due to Insufficient Funds
10/11/2014	\$250	10/11/2014	\$230	10/15/2014
10/16/2014	\$250	10/16/2014	\$80	10/17/2014
10/25/2014	\$400	10/25/2014	\$300	10/28/2014
10/25/2014	\$300	10/25/2014	\$137	10/28/2014
10/30/2014	\$300	10/30/2014	\$210	10/31/2014
11/5/2014	\$300	11/5/2014	\$210	11/6/2014
11/9/2014	\$310	11/9/2014	\$200	11/12/2014
11/19/2014	\$430	11/19/2014	\$300	11/20/2014
11/24/2014	\$375	11/24/2014	\$210	11/25/2014
11/27/2014	\$400	11/27/2014	\$150	12/1/2014
12/2/2014	\$400	12/2/2014	\$300	12/3/2014
12/2/2014	\$300	12/2/2014	\$300	12/3/2014
12/2/2014	\$300	12/2/2014	\$300	12/3/2014
12/14/2014	\$400	12/14/2014	\$400	12/16/2014

18. As a result of this conduct, Phelps' Citibank accounts became overdrawn and he obtained at least \$1,343.73 in funds to which he was not entitled.

19. By virtue of the foregoing, Phelps 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; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 10/16/2015



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