

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015044363701**

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

RE: Jeffrey Hunter Smith, Respondent
General Securities Representative
(CRD No. 4505078)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jeffrey Hunter Smith ("Smith"), 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

During the period of December 2001 through June 2009, Smith was associated with two FINRA-regulated broker-dealers. Smith became associated with Morgan Stanley, a FINRA-regulated broker-dealer (the "Firm"), as a General Securities Representative and Investment Advisor in June 2009.

Smith holds the following securities licenses: Series 7 (April 2002), Series 31 (January 2007), and Series 66 (June 2002).

In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated January 22, 2015, Morgan Stanley reported the voluntary termination of Smith's employment. In an amended Form U5 dated February 6, 2015, Morgan Stanley reported that, at the time of Smith's resignation, he was under internal review relating to "his involvement with a trust held outside of the firm for a non-client family member" and "his wife's status as a beneficiary of a client's account."

On February 19, 2015, Smith became associated with another FINRA-regulated broker-dealer as a General Securities Representative and Investment Advisor and remained there until June 14, 2016.

Smith is not currently associated with a FINRA-regulated broker-dealer; however, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Smith has no disciplinary history in the securities industry.

OVERVIEW

In December 2011 and March 2012, Smith borrowed a total of \$300,000 from two Firm customers to whom he was not related and without receiving the Firm's prior written approval to enter into the loans, in violation of FINRA Rules 3240 and 2010. In addition, in October 2014, while associated with Morgan Stanley, Smith violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010 by failing to timely report a compromise with a creditor.

In July 2016, Smith violated FINRA Rules 8210 and 2010 by failing to cooperate fully with Enforcement's investigation by declining to provide requested documents and information.

FACTS AND VIOLATIVE CONDUCT

Smith Borrowed Money from Firm Clients

FINRA Rule 3240 prohibits a registered representative from borrowing money from or lending money to a customer of his or her member firm employer unless the borrowing arrangement meets one of the conditions specified under the rule and is permitted by the employing member firm's written policies and procedures.

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." A violation of Rule 3240 also constitutes a violation of FINRA Rule 2010.

At all relevant times, Morgan Stanley's written supervisory procedures prohibited registered persons from entering into a borrowing arrangement with a firm client unless the client was an immediate family member and the representative provided written notice of the financial arrangement prior to entering into the loan.

In December 2011, Smith borrowed \$150,000 from firm client A, without obtaining written approval from the Firm prior to the loan. In March 2012, Smith borrowed \$150,000 from firm client B, without obtaining written approval from the Firm prior to the loan. Neither firm client A nor firm client B was a member of Smith's immediate family.

Smith never disclosed the loans to Morgan Stanley and, in each of the Firm's annual sales questionnaires he completed during the period of August 2012 through March 2014, falsely attested that he had not borrowed money from Firm clients.

By borrowing a total of \$300,000 from two Firm clients to whom he was not related and without receiving the Firm's prior written approval to enter into the loans, Smith violated FINRA Rules 3240 and 2010.

Smith Failed to Timely Disclose a Creditor Compromise

Article V, Section 2(c) of FINRA's By-Laws requires that registrations filed with FINRA be kept current at all times and that amendments to a Uniform Application for Securities Industry Registration or Transfer ("Form U4") must be filed with FINRA "not later than 30 days after learning of the facts or circumstances giving rise to the amendment."

FINRA Rule 1122 prohibits members or associated persons with a member from filing with FINRA information regarding 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." A violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 also constitutes a violation of FINRA Rule 2010.

On October 1, 2014, Smith entered into a compromise with a credit card company pursuant to which he agreed to pay \$12,000 to satisfy outstanding credit card balances totaling \$20,000. Smith's compromise required disclosure on a Form U4 within thirty (30) days of learning of the facts or circumstances giving rise to the amendment. Accordingly, Smith should have disclosed the compromise no later than October 31, 2014. However, Smith did not report the compromise via an amended Form U4 until February 19, 2015.

By failing to timely amend his Form U4 to disclose his creditor compromise, Smith violated Article V, Section 2(c) of FINRA's By-Laws, and FINRA Rules 1122 and 2010.

Smith Failed to Cooperate with Enforcement's Investigation

FINRA Rule 8210 provides, in relevant part, that "FINRA staff shall have the right to ... require a member, person associated with a member, or person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically ... with respect to any matter involved in the investigation, complaint, examination, or proceeding[.]" A failure to comply with Rule 8210 also constitutes a violation of FINRA Rule 2010.

Beginning in June 2015, and continuing through April 2016, Enforcement issued several letters to Smith or his counsel pursuant to FINRA Rule 8210 seeking the production of documents and information (the "Rule 8210 Requests"). Significantly, each of the requests that Enforcement issued after June 2015 reiterated Enforcement's request for the production of Smith's personal bank account statements. The most recent request was issued on April 14, 2016, and required the production of documents by April 29, 2016.

The Rule 8210 Requests advised Smith that his failure to provide the requested documents and information could subject him to disciplinary action and the imposition of sanctions, including a permanent bar from the securities industry. However, to date, Smith has failed to provide the requested account statements to Enforcement.

On July 28, 2016, Smith, through counsel, informed Enforcement that he would not cooperate further with Enforcement's investigation.

By refusing to produce the outstanding documents requested pursuant to FINRA Rule 8210, Smith 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 all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA Staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 (see FINRA Rules 8310 and 8311).

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.

9-16-16
Date

Jeffrey Hunter Smith
Respondent Jeffrey Hunter Smith

Reviewed by:



Henry I. Willett, III
Counsel for Respondent
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Accepted by FINRA:

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

9/30/16
Date



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