

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement, Complainant, v. Ricky Alan Mantei (CRD # 1098981), Respondent.

DISCIPLINARY PROCEEDING
No. 2015045257501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Ricky Mantei circumvented the supervisory system of J.P. Turner & Company (“JPT”) on three occasions over the course of a five-month period. On each occasion, Mantei was seeking to effect a trade between JPT customers. To comply with JPT’s written supervisory procedures, Mantei would have been required to identify each of these transactions as a “cross-trade” on JPT’s order tickets and also to affirmatively justify its fairness in writing. Mantei instead effected each trade in a manner that avoided these requirements. Specifically, Mantei arranged for an external third party to buy the selling JPT customer’s investment with the understanding that Mantei would have JPT repurchase it a short time later. After Mantei caused JPT to repurchase the investment, he then finally sold it to the buying JPT customer. In effecting all of these transactions, Mantei failed to comply with JPT’s supervisory procedures even though, in substance, each set of transactions amounted to a cross-trade between JPT customers. By virtue of the foregoing, Mantei violated FINRA Rule 2010 and willfully violated MSRB Rule G-17.

RESPONDENT AND JURISDICTION

2. Mantei entered the securities industry in 1982 and has been registered with FINRA through six FINRA-regulated firms. In March 1983, Mantei became registered with FINRA (then NASD) as a General Securities Representative. In September 1997, Mantei became registered with FINRA (then NASD) as a General Securities Principal. In March 2008, Mantei became registered with FINRA as an Investment Company and Variable Contracts Products Representative.

3. Mantei became registered with FINRA through JPT on March 30, 2010, and at the time of conduct alleged in this complaint, Mantei was registered with FINRA through JPT as a General Securities Representative, a General Securities Principal, and an Investment Company and Variable Contracts Products Representative.

4. Mantei left JPT on May 18, 2015. He is currently registered with FINRA through another FINRA-regulated firm.

GENERAL ALLEGATIONS

5. Mantei operated a JPT branch office in Lexington, South Carolina. At the time of the events alleged, Mantei's business had approximately 15 registered persons and was generating a significant percentage of JPT's total gross production.

6. Mantei's business at the Lexington branch included recommending and selling fixed income products to customers through JPT, including structured certificates of deposit ("SCDs").

7. SCDs are instruments that represent deposit obligations of a bank. SCDs pay periodic interest on a deposit amount determined by a mathematical formula, usually correlated to an equity index or an interest rate benchmark such as LIBOR.

8. Mantei effected transactions in SCDs for JPT customers.

9. To assist Mantei in selling a customer's SCD, SP, a trader on the JPT bond desk, obtained bids from potential purchasers of the SCD on the secondary market. If a bid price was acceptable, Mantei would cause the branch to submit an order ticket to the JPT bond desk for the customer, with the understanding that SP would purchase the SCD from the customer for JPT's account at a mark-down from the bid and sell it to the bidder in the secondary market.

10. To assist Mantei in purchasing an SCD for a customer, SP obtained offers from potential sellers of the SCD on the secondary market. If an offer price was acceptable, Mantei would cause the branch to submit an order ticket to the JPT bond desk for the customer, with the understanding that SP would buy the SCD for JPT's account in the secondary market and sell it to the customer at a markup.

11. SCDs generally are not traded on an exchange and transactions may not be publicly reported. Accordingly, the secondary market for SCDs can be illiquid, bid and offer spreads can be large, and current price information can be difficult to obtain.

12. From time to time, Mantei was unable to effect customer transactions in SCDs in the secondary market.

13. This could occur, for example, (i) when SP could not find any potential third-party buyers or sellers of the SCD or (ii) if SP located potential third-party buyers or sellers, but the prices bid or offered for the SCD by those third parties were unacceptable.

14. If an SCD was unable to be purchased or sold in the secondary market, Mantei could seek to effect a cross-trade transaction internally between two customers at JPT.

15. Since at least April 2014, JPT had instituted special procedures for supervising cross-trades between JPT customers.

16. JPT's special procedures for cross-trades required each branch effecting a cross-trade to identify the cross-trade using the order ticket. The branch was required to document the benefit of the transaction to each customer with the order ticket. Then, the trading desk was required to determine a fair value for the product by reviewing current trading of the same or similar products and include evidence of that review with the order ticket.

17. JPT also had general written supervisory procedures (WSPs) for trading. Those procedures included a requirement that JPT record any instructions for the order. Further, JPT's procedure entitled "Prohibited Transactions and Practices" stated in relevant part that "[a]n offer to sell coupled with an offer to buy back at the same or a higher price, or the reverse, is a prearranged trade and is prohibited."

18. As alleged below, Mantei circumvented JPT's procedures on three occasions:

- a. In September 2014, in connection with the cross-trade of a Wells Fargo SCD with CUSIP 949748R66 (the "Wells Fargo R66 SCD");
- b. In December 2014, in connection with the cross-trade of a municipal bond with CUSIP 358184HE2 (the "Fresno HE2 Bond"); and
- c. In February 2015, in connection with the cross-trade of a Citibank SCD with a CUSIP of 172986FN6 (the "Citibank FN6 SCD").

The September 2014 Wells Fargo R66 SCD Trades

19. As of September 25, 2014, JPT customer CC had a deposit amount of \$96,000 invested in the Wells Fargo R66 SCD.

20. Mantei had been seeking to sell CC's Wells Fargo R66 SCD on the secondary market for a minimum price of 89 (*i.e.*, to sell the SCD for a minimum principal amount of \$85,440) but was unable to do so.

21. Mantei had discussed with JPT compliance the possibility of selling the SCD internally at JPT using a cross-trade and had been directed not to.

22. Between September 25 and October 14, 2014, Mantei effected, in substance, a cross-trade of the Wells Fargo R66 SCD between JPT customer CC and JPT customers RP and PC.

23. On September 25, 2014, in order to effect the sale of CC's Wells Fargo R66 SCD, Mantei directed SP to sell CC's \$96,000 Wells Fargo R66 SCD to a third party with an offer to repurchase it later at a slightly higher price.

24. Mantei's directions to SP included the following recorded statements:

Can I get you to help me find some damn body out there ... that can help get me a high price, 89, 90, something like that on this damn paper? And I, I will buy the s--t back. * * * I need to get a price more around the 89 price, is what I need on just outright sell, I can't cross because [JPT'S CCO] says it looks bad. * * * I will – if somebody buys it [from you] and makes a trade on this damn thing at 89, next week I'll buy it from them higher. I'll give them 90 for it.

25. On October 1, 2014, as Mantei directed, SP and a trader at Firm A agreed to the sale and repurchase of the \$96,000 Wells Fargo R66 SCD.

26. Mantei caused JPT to engage in the following transactions (the “Wells Fargo R66 SCD Trades”):

- a. On October 1, 2014, JPT purchased the \$96,000 Wells Fargo R66 SCD from customer CC at a price of 90.00.
- b. Also on October 1, 2014, JPT sold the \$96,000 Wells Fargo R66 SCD to Firm A at a price of 90.00.
- c. On October 8, 2014, JPT repurchased \$30,000 of the \$96,000 Wells Fargo R66 SCD from Firm A at a price of 90.25.
- d. Also on October 8, 2014, JPT sold \$30,000 of the \$96,000 Wells Fargo R66 SCD to another JPT customer, RP, at a price of 90.50.
- e. On October 14, 2014, JPT repurchased the remaining \$66,000 of the \$96,000 Wells Fargo R66 SCD from Firm A at a price of 90.25.
- f. Also on October 14, 2014, JPT sold the remaining \$66,000 of the \$96,000 Wells Fargo R66 SCD to another JPT customer, PC, at a price of 92.34.

27. Mantei submitted or caused records (“order tickets”) to be submitted by the Lexington branch and maintained by JPT for the Wells Fargo R66 SCD Trades between JPT and customers CC, RP, and PC.

28. The order tickets for the Wells Fargo R66 SCD Trades with customers CC, RP, and PC did not reflect Mantei’s directions to SP, did not identify those transactions as part of a cross-trade, and did not document the benefit of the cross-trade to each of the customers.

The December 2014 Fresno HE2 Bond Trades

29. As of December 23, 2014, JPT customer KH had a face amount of \$30,000 invested in the Fresno HE2 Bond. The Fresno HE2 Bond was, at the time, relatively thinly-traded, which presented Mantei with some of the same issues in effecting trades in this bond as were also present in the secondary market for SCDs.

30. Between December 23 and 26, 2014, Mantei effected, in substance, a cross-trade of the Fresno HE2 Bond between JPT customer KH and JPT customers AH, LH, and TS.

31. On December 23, 2014, Mantei directed SP to sell KH's \$30,000 Fresno HE2 Bond to a third party with an offer to repurchase it later at a slightly higher price.

32. Mantei's directions to SP included the following recorded statements:

Next, I need to cross this Fresno. It's the one that ends in HE2. ...
So, I need a cross level where I can sell it today and then buy it
back maybe Friday and yet make some money on the damn thing.
... I'm going to send you this ticket to sell it at 9711 and then don't
go selling it in the street and I'll buy it back from you on Friday.

* * *

... sell them to somebody like you've done them in the past. Give
them a quarter or a half or whatever the hell they want and then
we'll just buy it back. * * * not to the f-----g street but if you've
got somebody that'll do us a favor, that's what I'm trying to get
you to do.

33. On December 26, 2014, as Mantei directed, SP and a trader at Firm B agreed to the sale and repurchase of the \$30,000 Fresno HE2 Bond.

34. Mantei caused JPT to engage in the following transactions (the "Fresno HE2 Bond Trades"):

- a. On December 26, 2014, JPT purchased the \$30,000 Fresno HE2 Bond from customer KH at a price of 94.61.
- b. Also on December 26, 2014, JPT sold the \$30,000 Fresno HE2 Bond to Firm B at a price of 97.11.
- c. On December 29, 2014, JPT repurchased the \$30,000 Fresno HE2 Bond from Firm B at a price of 97.36.
- d. Also on December 29, 2014, JPT sold the \$30,000 Fresno HE2 Bond in three \$10,000 transactions to JPT customers AH, LH, and TS, in each case at a price of 99.96.

35. Mantei submitted or caused order tickets to be submitted by the Lexington branch and maintained by JPT for the Fresno HE2 Bond Trades between JPT and customers KH, AH, LH, and TS.

36. The order tickets for the Fresno HE2 Bond Trades between JPT and customers KH, AH, LH, and TS did not reflect Mantei's directions to SP, did not identify the transactions as part of a cross-trade, and did not document the benefit of the cross-trade to each customer.

The February 2015 Citibank FN6 SCD Trades

37. As of February 25, 2015, JPT customer DM had a deposit amount of \$40,000 invested in the Citibank FN6 SCD.

38. Between February 25 and 26, 2015, Mantei effected, in substance, a cross-trade of the Citibank FN6 SCD between JPT customer DM and JPT customer EA.

39. To complete this cross-trade, Mantei directed SP to arrange to sell DM's \$40,000 Citibank FN6 SCD to a third party with an offer to repurchase it later at a slightly higher price.

40. Mantei's directions to SP included the following recorded statements:

[C]an we sell these, take them back, sell on the credit side, and you get somebody to hold these 50 [sic] in inventory, just buy them for me tomorrow? ... we need to sell today but we'll turn around and buy tomorrow.

* * *

You want me to send you that ticket on that 40, Citibank, that FN6? ... Now, you don't want cross written on this thing do you? ... So I'm taking that off, alright, and I'm sending you the ticket now.

41. On February 25, 2015, as Mantei directed, SP and a trader at Firm C agreed to the sale and repurchase of the \$40,000 Citibank FN6 SCD.

42. Mantei caused JPT to engage in the following transactions (the "Citibank FN6 SCD Trades"):

- a. On February 25, 2015, JPT purchased the \$40,000 Citibank FN6 SCD from customer DM at a price of 90.45.
- b. Also on February 25, 2015, JPT sold the \$40,000 Citibank FN6 SCD to Firm C at a price of 93.00.
- c. On February 26, 2015, JPT repurchased the \$40,000 Citibank FN6 SCD from Firm C in a transaction for \$25,000 of the SCD and a separate transaction for \$15,000 of the SCD, in each case at a price of 93.15.
- d. Also on February 26, 2015, JPT sold the \$40,000 Citibank FN6 SCD to JPT customer EA at a price of 95.50.

43. Mantei submitted or caused order tickets to be submitted by the Lexington branch for the Citibank FN6 SCD Trades between JPT and customers DM and EA.

44. The order tickets that Mantei submitted or caused to be submitted for the Citibank FN6 SCD Trades between JPT and customers DM and EA did not reflect Mantei's directions to SP, did not identify the transactions as a part of a cross-trade, and did not document the benefit of the cross-trade to each customer.

FIRST CAUSE OF ACTION
(FINRA Rule 2010)

45. The Department of Enforcement realleges and incorporates by reference paragraphs 1 - 44 above.

46. FINRA Rule 2010 requires that member firms and associated persons observe high standards of commercial honor and just and equitable principles of trade.

47. By his conduct in engaging in the Wells Fargo R66 SCD Trades and the Citibank FN6 SCD Trades and by submitting, or causing to be submitted, order tickets to JPT that failed to reflect Mantei's directions to SP, identify those transactions as cross-trades, or provide the information required by JPT's procedures for cross-trades, Mantei circumvented JPT's supervisory procedures and contravened JPT's prohibition against prearranged trading.

48. As a result of the foregoing conduct, Mantei violated FINRA Rule 2010.

SECOND CAUSE OF ACTION
(MSRB Rule G-17)

49. The Department of Enforcement realleges and incorporates by reference paragraphs 1- 48 above.

50. MSRB Rule G-17 requires that, in the conduct of their municipal securities activities, FINRA-registered firms and their associated persons “shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.”

51. By his conduct in engaging in the Fresno HE2 Bond Trades and by submitting, or causing to be submitted, order tickets to JPT that failed to reflect Mantei’s directions to SP, identify those transaction as a cross-trade, or provide the information required by JPT’s procedures for a cross-trade, Mantei circumvented JPT’s supervisory procedures and contravened JPT’s prohibition against prearranged trading.

52. As a result of the foregoing conduct, Mantei willfully violated MSRB Rule G-17.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement 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) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- 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 willfully violated MSRB Rule G-17.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 1, 2019



Andrew Boldt
Senior Counsel
FINRA Department of Enforcement
55 West Monroe Street Suite 2600
Chicago, Illinois 60603-5052
Phone: (312) 899-4334 | Fax: (312) 899-4600
Email: andrew.boldt@finra.org