

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045718701**

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

RE: John Billy Kakonikos, Respondent
Registered Options Principal, General Securities Representative, and State Agent
CRD No. 4017356

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

From 1999 to the present, John Billy Kakonikos ("Kakonikos") obtained and held the following FINRA licenses: Series 4 (Registered Options Principal), Series 7 (General Securities Representative) and Series 63 (State Agent). Kakonikos was registered with FINRA Member Caldwell International Securities Corp. ("CISC" or "Firm") from August 2010 through February 19, 2014. Kakonikos was also registered with another FINRA member firm from February 2014 through February 24, 2016. Kakonikos is not currently associated with a FINRA member firm.

Although he is not currently associated with a FINRA member firm or registered with FINRA, Kakonikos is subject to the jurisdiction of FINRA pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

RELEVANT DISCIPLINARY HISTORY

Kakonikos has no prior relevant disciplinary history.

OVERVIEW

From September 1, 2012 through September 30, 2013 ("Relevant Period"), Kakonikos engaged in excessive and unsuitable trading in the account of customer EP, causing realized trading losses of \$72,524.53, while generating \$41,617.56 in fees and commissions. In addition, 55 of the trades that Kakonikos effected in EP's account were unauthorized by the customer.

FACTS AND VIOLATIVE CONDUCT

Excessive and Unsuitable Trading

Excessive trading occurs when (i) a registered representative exercises control over a customer's account; and (ii) the level of activity in that account is inconsistent with the customer's investment objectives, financial situation, and needs. Excessive trading violates FINRA's suitability standards under FINRA Rule 2111.

FINRA Rule 2111(a) provides in pertinent part that "[a] member or associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile." As explained in the Supplementary Material found at Rule 2111.05(c):

Quantitative suitability requires a member or associated person who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated in Rule 2111(a). No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.

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

During the Relevant Period, Kakonikos was the registered representative for customer EP who held an account at CISC. EP had a high-school education, annual income of approximately \$25,000 per year, and no experience actively

trading securities. During the Relevant Period, Kakonikos recommended and executed 117 securities transactions in EP's account. Nearly half of the trades that Kakonikos placed in EP's account were placed without EP's authorization. When Kakonikos did contact EP to recommend a trade, she always authorized it.

Based on the foregoing, Kakonikos had de facto control over EP's account. The trading conducted by Kakonikos in EP's account during the Relevant Period generated an annualized turnover rate of 13.68 and an annualized cost-to-equity ratio of 49.79%.¹ Considering EP's financial situation, lack of investment experience and needs, requiring a minimum return of nearly 50% just to break even, Kakonikos' trading in EP's account was excessive and quantitatively unsuitable for EP. The excessive unsuitable trading in EP's account resulted in realized trading losses of \$72,524.53, while generating \$41,617.56 in fees and commissions on those realized trades. Overall, during the Relevant Period, the account generated \$53,168.22 in cumulative costs, including margin interest, resulting in a cost-to-equity ratio of 62.23%.

As a result of this conduct, Kakonikos violated FINRA Rules 2111 and 2010.

Unauthorized Trading

FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of his business. Unauthorized trading violates FINRA Rule 2010.

During the Relevant Period, Kakonikos effected 55 purchase and sale securities transactions in EP's account without EP's authorization, knowledge or consent.

As a result of this conduct, Kakonikos violated FINRA Rule 2010.

- B. I also consent to the imposition of the following sanctions:
1. a suspension for 18 months from associating with any FINRA member firm in any capacity;
 2. a fine in the amount of \$10,000; and
 3. an order to pay restitution to EP in the total amount of \$72,524.53, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from September 1, 2012, until the date of payment.

¹ The turnover ratio represents the number of times the value of the account is turned over within a given period of time and is calculated by dividing the aggregate amount of the purchases by the average monthly investment. The cost-to-equity ratio is the percentage of return on the customer's average net equity needed to pay account costs such as commissions and margin interest, and represents the amount an account would have to earn to break even. It is calculated by dividing the monthly costs of the account by the average monthly investment.

The fine shall be due and payable either immediately upon reassociation with a member firm, 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.

Restitution amounts ordered, pursuant to this disciplinary action, are due and payable immediately upon reassociation with a member firm, 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. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate customer EP after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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 or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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:

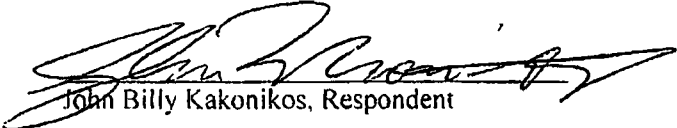
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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.

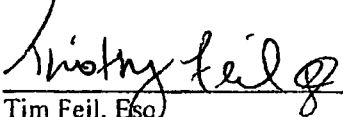
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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.

10/4/16
Date


John Billy Kakonikos, Respondent

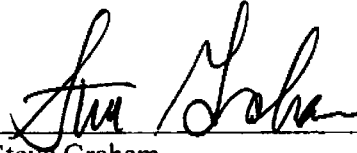
Reviewed by:


Tim Feil, Esq.
Counsel for Respondent
Finkelstein & Feil, P.C.
3920 Veterans Highway, Suite 8
Bohemia, NY 11716
516-280-3660

Accepted by FINRA:

11/11/2016
Date

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

A handwritten signature in black ink, appearing to read "Steve Graham", written over a horizontal line.

Steve Graham
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
Phone: 972-716-7608; Fax: 972-716-7612