

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045755001**

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

RE: James W. Anderson, Respondent
General Securities Principal
CRD No. 1060765

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

James W. Anderson first became associated with a FINRA member firm in 1982. He received his Series 7 registration in October 1982, his Series 4 registration in June 1984, and his Series 24 registration in August 1992. During the course of his career in the securities industry, Anderson also obtained his Series 53 and 63 licenses. Over the course of his career, Anderson was associated with numerous FINRA member firms. Anderson was associated with WFG Investments, Inc. from March 2003 through December 2008 and from July 2009 through January 2014, when he was discharged from the firm. WFG filed a Uniform Termination Notice for Securities Industry Registration on January 31, 2014, involuntarily terminating Anderson's association with the firm.

Although Anderson is not currently associated with a FINRA member firm or registered with FINRA, he 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

In August 1999, Anderson and his member firm at the time entered into an Acceptance, Waiver & Consent Agreement (Case No. C0299046) pursuant to which they agreed to a \$2,500 fine and consented to the entry of findings that they had failed to comply with the firm element of the continuing education requirements for registered representatives.

In October 2001, Anderson entered into an Acceptance, Waiver and Consent Agreement (Case No. C02010049) pursuant to which he was suspended in all principal capacities for 20 days and fined \$20,000. He also consented to the entry of findings that he failed to appropriately review the suitability of recommendations for purchases and sales of securities.

OVERVIEW

Anderson failed to appropriately supervise the sales practices of MB, a registered representative who engaged in unsuitable trading in the brokerage and advisory accounts of his customers, primarily by inappropriately concentrating his customers' accounts in low-priced securities.

As a result of the foregoing conduct, Anderson violated NASD Rules 3010 and 3040(c)(2) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 requires member firms (and their supervisory personnel) to establish maintain and enforce supervisory procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations. Rule 3010 requires that a supervisor take reasonable steps to ensure that securities transactions are in compliance with applicable securities laws and regulations, and that he or she investigate red flags of potential misconduct and take appropriate action when misconduct has occurred.

NASD Rule 3040(c)(2) requires, in part, that member firms (and their supervisory personnel) supervise a registered representative's authorized private securities transactions "as if the transaction[s] were executed on behalf of the member."

FINRA Rule 2010 requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rules 3010 and 3040 also constitutes a violation of FINRA Rule 2010.

MB's Misconduct

Between January 1, 2012 and June 20, 2013 (the "Relevant Time Period"), Anderson had supervisory and compliance responsibilities with respect to one of WFG's registered representatives, MB, and the WFG branch office where MB was located. Specifically, during the Relevant Time Period, Anderson was a Compliance Manager (from December 2010 through October 2012) and the Director of Branch Office Supervision (from November 2012 through January 2014).

During the Relevant Time Period, MB engaged in extensive trading in low-priced securities (*i.e.*, securities that were priced \$5 or less) in his customers' WFG and RIA¹ accounts, which resulted in unsuitable concentrations of his customers' accounts in such securities. For instance, during the year 2012, 67% of MB's advisory account purchases and 66% of his WFG account purchases were in low-priced securities. In 2013, MB's percentage of advisory account purchases in low-priced securities rose to 80%.

As a result, the vast majority of MB's customers held substantial positions in four or five low-priced securities. Most of these customers had at least 80% of their accounts concentrated in low-priced securities and/or illiquid and highly speculative private placement and REIT investments. These excessive concentrations existed irrespective of the customers' financial situation, risk tolerance and/or investment objectives.

Anderson Failed to Appropriately Supervise MB

During the Relevant Time Period, Anderson was aware of red flags that MB was engaged in unsuitable trading with respect to low-priced securities. For instance, in August 2012, Anderson participated in a meeting at WFG's headquarters during which the issue of unsuitable concentrations in low-priced securities was raised by compliance personnel at the Firm. During this meeting, MB's direct supervisor, WG, was instructed not to permit MB or other representatives in the San Antonio branch office to purchase any more positions in a specific security, LB, on behalf of their clients. Anderson failed to follow up appropriately on red flag information that he learned about MB's sale practices during this meeting.

In September 2012, Anderson was instructed to conduct the audit of MB's branch office in San Antonio. Notwithstanding his knowledge of potential sales practice violations involving low-priced securities, the audit conducted by Anderson related to non-sales practice issues, such as the review of change of address requests and a check of controls over the receipt of incoming mail. During this audit, Anderson did not review: (1) advisory activity by representatives in this branch office, including MB; (2) trading in low-priced securities, including LB; or (3) suitability of transactions recommended or executed in this branch office.

¹ WFG authorized MB to execute private securities transactions away from the firm through MB's RIA.

In January 2013, Anderson participated in another meeting with WG and MB at WFG's headquarters. During this meeting, compliance personnel raised concerns about ongoing unsuitable trading in low-priced securities and about undisclosed complaints against MB from his time with his previous employer. Moreover, Anderson was charged with the responsibility of drafting a heightened supervision plan for MB. Although Anderson drafted a heightened supervision plan for MB and forwarded this plan to WFG's compliance department, he took no further steps to ensure that it was implemented.

Anderson thus failed to appropriately respond to red flags that he was made aware of at the August 2012 and January 2013 meetings, and failed to appropriately supervise the activities of MB. This supervisory failure facilitated MB's ongoing sales practice violations, which continued over an 18-month period at WFG.

By failing to appropriately supervise the sales practices of MB, Anderson violated NASD Rules 3010 and 3040(c)(2), and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

A suspension in all principal capacities from association with a FINRA member firm for fifteen months, and a fine of \$15,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the suspension noted above, 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.

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

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity only, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the principal capacity bar, if I remain associated with a member firm in a non-barred capacity, an application to continue that association may be required.

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.

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

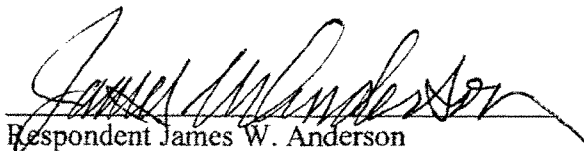
I understand that:

- 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.

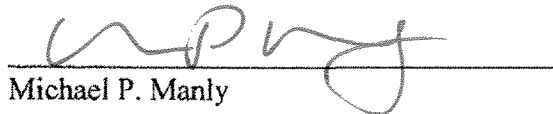
1/25/2016
Date


Respondent James W. Anderson

Accepted by FINRA:

1/27/2016
Date

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


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