

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Nas Adel Allan (CRD No. 4562149),

Gregory J. Anastos (CRD No. 5800831),

and

Windsor Street Capital, LP, f/k/a Meyers
Associates, L.P, (BD No. 34171),

Respondents.

DISCIPLINARY PROCEEDING
No. 2015046971701

HEARING OFFICER: LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

DATED: MAY 11, 2018

INTRODUCTION

Disciplinary Proceeding No. 2015046971701 was filed on August 15, 2017, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Gregory J. Anastos submitted an Offer of Settlement (Offer) to Complainant dated May 10, 2018. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Anastos first became registered with FINRA as a General Securities Representative ("GSR") through a former member firm on June 8, 2010. Anastos was registered through that firm until August 20, 2010. From September 6, 2011 to June 10, 2013, Anastos was registered as a GSR through Broker-Dealer A. Since April 2, 2013, Anastos has been registered as a GSR with Windsor Street. Anastos is subject to FINRA jurisdiction because he is currently registered through a member firm.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

1. Respondent Gregory J. Anastos (CRD No. 5800831), while registered through Respondent firm Windsor Street Capital, LP (which was known as Meyers Associates, L.P. until December 2016) (BD No. 34171)) ("Windsor Street" or the "Firm"), recommended, over an approximate 13-month period, that elderly husband and wife customers IR and DR engage in short-term trading of a single security that they had held for over 36 years, resulting in significant losses for IR and DR and generating over \$78,158 in commissions, markups and markdowns for Respondent.

¹ The findings herein are pursuant to Respondent Anastos's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

2. Starting in December 2014, Anastos became the broker for the Windsor Street account of IR and DR's trust (the "Trust"). From December 2014 to December 2015, Anastos recommended short-term, in-and-out trading of large positions of Huntington Bancshares, Inc. ("HBAN") stock, as well as making recommendations for purchasing and selling HBAN call options and at times using margin in the Trust account for HBAN transactions. Anastos excessively traded the Trust account, recommending a total of 26 transactions (24 of which involved HBAN or HBAN options), which resulted in \$69,623 in losses to IR and DR. Anastos recommended all of the transactions in the Trust account, exercised control over the account and charged IR and DR more than \$78,000 in commissions, markups and markdowns. Anastos's excessive trading of the Trust account violated FINRA Rules 2111 and 2010.

3. Anastos also exercised discretionary power in the Trust account where he did not have written authority to exercise discretion. As a result, Anastos violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

RESPONDENT AND JURISDICTION

4. Anastos first became registered with FINRA as a General Securities Representative ("GSR") through a former member firm on June 8, 2010. Anastos was registered through that firm until August 20, 2010. From September 6, 2011 to June 10, 2013, Anastos was registered as a GSR through Broker-Dealer A.

5. Since April 2, 2013, Anastos has been registered as a GSR with Windsor Street.

6. Anastos is subject to FINRA jurisdiction because he is currently registered through a member firm.

BACKGROUND

Background of Customers

7. Customer IR, who is 91 years old, is a retired pharmacist living in Morgantown, West Virginia. IR's wife DR passed away in June 2016 at 85 years old.

8. In 2010, IR and DR established the Trust, for which both IR and DR were trustees. The Trust was established for IR and DR's benefit during their lifetimes. It provides that following the death of the last surviving spouse, the Trust's assets are to be distributed to IR and DR's then-living children, grandchildren and great-grandchildren.

9. In or about 1978, IR had inherited shares of an HBAN-predecessor company. IR subsequently added to his inherited shares by purchasing more HBAN shares. In 2012, IR contributed 19,868 shares of HBAN stock to the Trust.

10. IR had a small account at Broker-Dealer A (a firm where Anastos worked prior to Windsor Street). IR's Broker-Dealer A account transferred to Windsor Street in May 2013 when the Broker-Dealer A branch office where Anastos worked became a Windsor Street branch office.

11. In September 2014, after being solicited by another Windsor Street broker ("Broker 1"), customers IR and DR opened a Windsor Street brokerage account for the Trust. Broker 1 recommended that IR and DR transfer to Windsor Street the HBAN shares held by the Trust in a brokerage account at another firm.

12. IR and DR agreed to transfer the HBAN shares and cash to Windsor Street as recommended. On September 10, 2014, the Trust's 19,868 HBAN shares and \$11,252.84 in cash transferred from an account at another brokerage firm to the Trust account at Windsor Street.

13. According to the new account form for the Trust account, the “investment profile” for the account was “moderate.” An account form for options trading listed the primary account objectives as “dividend and premium income” and “hedging,” and the least important objectives as “trading profits” and speculation.”

14. On September 16, 2014, following Broker 1’s recommendation, the Trust sold the entire position of 19,868 HBAN shares at \$9.62 per share. The solicited transaction resulted in net proceeds of \$191,101. Thereafter, in September and October 2014, Broker 1 effected three additional solicited transactions where the Trust purchased and sold large positions of HBAN.

Anastos’s Churning and Excessive Trading

15. After Broker 1 left Windsor Street, the Trust account remained at the Firm and Anastos took over responsibility. From December 2014 through December 2015, Anastos was the broker who dealt exclusively with customers IR and DR and who recommended all of the transactions in the Trust account (with the exception of a final liquidating transaction).

16. Anastos recommended that the Trust account repeatedly repurchase and then sell large positions of HBAN shares in short-term trading.

17. For example, on December 18, 2014, Anastos recommended the sale of all 18,068 shares of HBAN in the Trust account at \$10.03 per share, for total proceeds of \$181,193. Anastos charged a \$0.36 per share markdown for this sale that amounted to \$6,504.

18. Then, just six days later, on December 24, 2014, Anastos recommended that the Trust purchase 16,600 shares of HBAN at \$10.92 per share (i.e., a per-share price 8.9% higher than what IR and DR had sold it for just six days earlier). Through this transaction, IR and DR acquired 2,468 fewer shares of HBAN than they had just sold, at a net cost to them of \$181,330, including a \$0.37 per share markup charged by Anastos which amounted to \$6,142.

19. Beginning with the December 24, 2014 purchase of HBAN shares, Anastos effected seven round-trip transactions, repurchasing and then selling positions of HBAN shares, and charging commissions, markups and markdowns that often exceeded \$5,000 for each transaction.

20. Anastos also exercised discretionary power in the Trust account even though there was no written authorization permitting him to do so. In 18 out of the total 26 transactions that he effected in the Trust account, Anastos effected the transactions without speaking to either IR or DR prior to the transactions on the dates of the transactions.

21. For the period December 2014 through December 2015, during the 13 months when Anastos recommended transactions to IR and DR, the Trust paid a total of \$78,158 in commissions, markups and markdowns, \$1,492 in margin interest and fees (for total costs of \$79,650) and incurred losses of \$69,623. The annualized commission-to-equity ratio was 59.58, the annualized cost-to-equity ratio was 60.72 and the annualized turnover rate was 9.41.

22. Based on the level of trading and commissions charged by Anastos, there was little to no possibility that the Trust account would break even, let alone make a profit.

FIRST CAUSE OF ACTION
Excessive Trading
(FINRA Rules 2111 and 2010)

23. FINRA Rule 2111 requires a registered representative to “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.”

24. Rule 2111 includes a non-exhaustive list of factors which determine a customer’s investment profile, including “the customer’s age, other investments, financial situation and

needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, [and] risk tolerance and any other information the customer may disclose to the member or associated person in connection with such recommendation.”

25. FINRA Rule 2010 provides that an associated person, “in the conduct of [his] business, shall observe high standards of commercial honor and just and equitable principles of trade.”

26. Under the Suitability Rule, an associated person who has actual or *de facto* control over a customer account is required 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.

27. Anastos exercised control over the Trust account. During the time period December 2014 to December 2015 that he handled the account, he exercised discretionary power in the account without written authority. Anastos recommended the repeated sales and repurchases of HBAN shares and the purchase and sale of HBAN call options. Anastos recommended when and how much of the securities would be purchased and sold in the Trust account. Customers IR and DR routinely followed Anastos’s recommendations.

28. Anastos’s trading in the Trust account was excessive, as evidenced by the high turnover rates and high commission-to-equity and cost-to-equity ratios, and it was inconsistent with the investment profile of the Trust, IR and DR. The customers’ investment profile was listed as “moderate.”

29. Anastos did not have reasonable grounds or a reasonable basis to believe that the recommended transactions were suitable for the Trust in light of the customers’ investment objectives, risk tolerance and financial situation.

30. By reason of the foregoing, Anastos violated FINRA Rules 2111 and 2010.

SECOND CAUSE OF ACTION
Exercising Discretion Without Written Authorization
(NASD Conduct Rule 2510(b) and 2010)

31. NASD Conduct Rule 2510(b) prohibits registered representatives from exercising any discretionary power in a customer's account unless such customer has given prior written authorization to the registered representative and the registered representative's member firm has provided prior written acceptance of the account as discretionary.

32. Anastos exercised discretionary power in the Trust account.

33. Neither IR nor DR, as trustees of the Trust, ever gave written discretionary authority to Anastos or Windsor Street. Windsor Street, further, never accepted the Trust account as a discretionary account.

34. During the time period of December 2014 to December 2015, Anastos effected 18 of 26 transactions in the Trust account without speaking to either IR or DR prior to the transactions on the dates of the transactions.

35. By reason of the foregoing, Anastos violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

Based on the foregoing, Respondent violated FINRA Rules 2111 and 2010 and NASD Conduct Rule 2510(b).

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be sanctioned as follows:

- A suspension of four months from associating with any FINRA member in any capacity.

Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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

SO ORDERED.

FINRA

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



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