

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049232201**

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

RE: Geoffrey Colin Turner
General Securities Principal and
General Securities Representative
CRD No. 4007735

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Geoffrey Colin Turner ("Turner" or "Respondent"), 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

Turner first became registered with FINRA as a General Securities Representative ("GSR") in September 1999. Since October 2006, Turner has been registered with FINRA as a GSR and General Securities Principal through FINRA member firm BB&T Securities, LLC (formerly known as BB&T Investment Services, Inc.).

RELEVANT DISCIPLINARY HISTORY

Turner has no relevant disciplinary history.

OVERVIEW

During the period from December 19, 2014 through June 9, 2015 (the “Relevant Period”), Turner recommended certain L-share variable annuities to his customers without a reasonable basis for believing that the recommendations were suitable. As a result, Turner violated FINRA Rules 2111, 2330(b)(1)(A) and 2010.

FACTS AND VIOLATIVE CONDUCT

During the Relevant Period, Turner recommended L-share class variable annuities to 15 customers without having a reasonable basis to believe that the transactions were suitable.

L-share Class Variable Annuities

Variable annuities are contracts between an investor and an issuing company, whereby an issuing company promises to make periodic payments to the investor or a beneficiary designated by the investor. Variable annuities allow customers to choose from an array of contract features and options, including various share classes and optional riders.

L-share contracts, for example, have unique costs and features that a registered representative must understand in order to have a reasonable basis to recommend them. L-share contracts have relatively short surrender periods—generally three to four years. Insurance companies specifically design L-share contracts so that customers pay a higher fee in exchange for the increased liquidity provided by the shorter surrender period. The annual fees associated with L-share contracts are often between 35 and 50 basis points higher than most B-share contracts.

Investors may also purchase riders for annuity contracts, which provide additional benefits for an additional cost. For example, some issuers offer riders for customers who want to pay a premium to ensure a minimum income level in the long-term future. These riders, such as a Guaranteed Minimum Income Benefit Rider (GMIB) or Guaranteed Minimum Withdrawal Benefit Rider (GMWB), typically require the customer to hold the variable annuity for five years or longer in order to obtain the full benefit.

Both L-share contracts and long-term riders present complex costs and benefits, and registered representatives must understand these products in order to have a reasonable basis to believe they are suitable for at least some customers.

Turner’s Recommendations of L-share Variable Annuities

During the Relevant Period, Turner recommended and sold the Jackson National Life Perspective L-Series variable annuity to 14 different customers and the Nationwide Destination 2.0 L-Series annuity to one customer. In all instances,

Turner recommended that the customers also purchase long-term GMIB riders. L-share annuities and long-term riders may have been suitable for the customers, depending on their facts and circumstances; however, Turner did not have a reasonable basis for recommending them. Rather, he recommended that his customers buy higher-cost share class contracts without understanding the costs and benefits of these products.

Turner Lacked a Reasonable Basis for His Recommendations

FINRA Rule 2111 requires a registered representative to “have a reasonable basis to believe that a recommended transaction ... is suitable for the customer, based on the information obtained through ... reasonable diligence ... to ascertain the customer’s investment profile.” To make a suitable recommendation, a representative must first have an understanding of the potential risks and rewards inherent in that recommendation. The lack of such an understanding when recommending a security violates FINRA Rule 2111.¹

FINRA Rule 2330(b)(1)(A) establishes sales practice standards regarding purchases and exchanges of deferred variable annuities. The Rule specifically requires that “the transaction is suitable in accordance with Rule 2111.” In addition, the Rule requires that the representative inform the customer of the potential surrender charges and features and charges of riders. The representative must have a reasonable basis to believe that “the particular deferred variable annuity as a whole ... and riders and similar product enhancements, if any, are suitable ... for the particular customer....”

Turner did not have a reasonable basis to recommend either the Jackson National Life Perspective or Nationwide Destination 2.0 L-share class variable annuities to his customers because he did not understand the overall costs of the securities he recommended.

Turner failed to use reasonable diligence to understand the costs associated with the variable annuities he was recommending and how such costs impacted each contract’s surrender value.² Both the Jackson National Life and Nationwide variable annuities that Turner sold to his customers were available in an L-share class and a B-share class. The B-share classes charged a fee to withdraw funds during the first seven years, or surrender period, of the contract. The L-share classes were designed to allow the customer to liquidate the annuity after a shorter surrender period with minimum penalty. In exchange for this increased liquidity, an investor who owned the Jackson National Life L-share class would pay 40 basis points more than the B-share class in annual expenses; an investor who owned the Nationwide Destination 2.0 L-share class would pay 45 basis points more than the B-share class in annual expenses. However, Turner did not

¹ See FINRA Rule 2111 Supplementary Material .05(a).

² A variable annuity’s surrender value is the total of the premiums and accumulated investment income, minus any withdrawals already taken.

understand that the L-share class variable annuity would be more expensive than the B-share class for customers who held their annuities for at least seven years.

Turner also did not have a reasonable basis to recommend combining the Jackson National Life L-share class and Nationwide Destination 2.0 L-share class annuities with GMIB riders. The GMIB riders that Turner recommended provided the customer with a guaranteed minimal amount of annual income and generally required the customer to hold the annuity for more than 10 years, without withdrawals, to receive the maximum income benefits available. Turner did not understand the terms of these riders, and could not reasonably explain why he recommended that customers pay premiums for short-term liquidity by purchasing an L-share contract, while simultaneously recommending that they pay premiums for a rider that only would provide benefits for long-term investors.

As a result of Turner's lack of understanding of the Jackson National Life Perspective and Nationwide Destination 2.0 L-share class variable annuities, Turner was unable to inform customers of the various features of the products he was recommending, including the potential surrender charges, expenses, and charges of the variable annuity.

By virtue of the foregoing, Turner violated FINRA Rules 2111, 2330(b)(1)(A) and 2010.

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

- A suspension from associating with any FINRA member firm in all capacities for a period of thirty calendar days.
- A \$7,500 fine.
- A requirement that within 90 days of 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, I will undertake to attend and satisfactorily complete 8 hours of continuing education concerning the sale of variable annuities and the factors to be considered in determining when such products are suitable. I shall submit satisfactory proof of attendance and completion of such training to Sarah B. Belter-Pylant, FINRA Department of Enforcement, 1100 Poydras Street, Energy Centre, Suite 850, New Orleans, Louisiana, 70163-1108 and by email to sarah.belterpylant@finra.org and EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 30 days after completion of such training. All correspondence must identify Respondent and Matter No. 2016049232201.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

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, 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.

9/18/18
Date (mm/dd/yyyy)


Geoffrey Colin Turner, Respondent

Reviewed by:


Brian M. Walsh, Esq.
Counsel for Respondent
Murphy & McGonigle
1001 G Street, N.W., 7th Floor
Washington, D.C. 20001

Accepted by FINRA: ^(sbp)

~~9-20-18~~ 9/28/18
Date

^(sbp)
Signed on behalf of the
Director of OPA, by delegated authority


Sarah B. Belter-Pylant, Senior Counsel
FINRA, Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, Louisiana 70163-1108
Phone: (504) 412-2406
Facsimile: (202) 721-6520
Email: sarah.belter-pylant@finra.org