

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016050590401**

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

RE: Eli S. Ungar, Respondent
General Securities Representative
CRD No. 4748236

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Eli S. Ungar ("Ungar"), 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

Ungar entered the securities industry in November 1993, when he became associated with a FINRA-regulated broker-dealer. He became registered with that broker-dealer as a General Securities Representative ("GSR") in January 2004, where he remained until March 2004.

From April 2004 to April 2008, Ungar was consecutively registered with five different FINRA-regulated broker-dealers as a GSR. On April 21, 2008, Ungar became associated with HSBC Securities (USA) Inc. ("HSBC" or the "Firm") as a GSR. On or about June 8, 2016, Ungar gave notice to HSBC of his voluntary resignation of employment with the Firm, however he remained registered with HSBC until July 8, 2016. That same day, Ungar became associated with another FINRA-regulated broker-dealer, where he is currently employed and registered as a GSR.

On July 8, 2016, the Firm filed a Form U5 indicating that Ungar was under internal review for among other things, fraud or wrongful taking of property, or violating investment related statutes.

Ungar holds the following securities licenses: Series 7 (January 2004), Series 63 (January 2004), Series 65 (July 2012).

RELEVANT DISCIPLINARY HISTORY

Ungar has no relevant disciplinary history in the securities industry.

OVERVIEW

On May 12, 2016, Ungar printed approximately 328 HSBC customer account records that included, among other things, date of birth, social security number, financial account number and account balances for each customer. Ungar subsequently took the printed records from the Firm and used that non-public personal information to contact his former HSBC clients at his new employing broker-dealer to which he was transitioning.

By removing the non-public personal customer information from HSBC's custody and control without the Firm's knowledge or consent, Ungar violated FINRA Rule 2010 by causing the Firm to violate Regulation S-P.

FACTS AND VIOLATIVE CONDUCT

Regulation S-P generally prohibits disclosure of nonpublic personal information about a customer unless the customer receives proper notice and an opportunity to opt out.

Information is considered to be "non-public personal information" if it contains personally identifiable financial information about one or more consumers, including: (1) information a consumer provides to a broker-dealer to obtain a financial product or service, (2) information about a consumer resulting from any transaction involving a financial product or service between a broker-dealer and a consumer, or (3) information a broker-dealer otherwise obtains about a consumer in connection with providing a financial product or service to that consumer.

"Non-public personal information" includes names, addresses, telephone and social security numbers, birth dates, and account balances that are derived in whole or in part from information provided to a financial institution by a customer.

FINRA Rule 2010 requires registered persons to observe high standards of commercial honor and just and equitable principles of trade.

At all relevant times, HSBC maintained policies and procedures that required its employees to protect the Firm's confidential customer information. Such confidential information included, among other things: customer names, addresses, telephone numbers of customers, account information and/or documentation, investment holdings and other personal financial information, account histories, customer statements, confirmations and customer risk profiles. HSBC's policies prohibited Ungar from reproducing or using such confidential information for any purpose other than conducting Firm business.

On May 12, 2016, in anticipation of his employment transition to his new firm, Ungar improperly removed non-public personal customer information, which belonged to HSBC. Specifically, Ungar printed out client profile pages for approximately 328 HSBC customer accounts that included, among other things, date of birth, social security number, financial account number and account balances for each customer — information that Ungar was not permitted to take from HSBC.

The 328 customer account records constituted non-public personal information under Regulation S-P, because that information: (1) was provided by Firm customers to obtain financial products and services; (2) resulted from transactions involving financial products or services the Firm provided to its customers; and/or (3) was obtained in connection with providing financial products or services to Firm customers.

On June 8, 2016, Ungar resigned from HSBC, commenced employment with his new firm, and continued to maintain possession of the non-public customer information he improperly took from the Firm. Thereafter, Ungar contacted approximately 90 of the 328 clients whose personal confidential information he removed from HSBC, and began soliciting their business.

By improperly taking non-public personal customer information from HSBC, Ungar caused HSBC to violate Regulation S-P, and in so doing violated FINRA Rule 2010.

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

- A suspension from association with any FINRA member in any capacity for 15 business days; and
- A fine of \$10,000.

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).

I agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) imposed in this matter.

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.

5.2.2017
Date


Eli S. Ungar, Respondent

Reviewed by:

Joshua Horn, Esq.
Counsel for Respondent
Fox Rothschild LLP
2000 Market Street
20th Floor
Philadelphia, PA 19103-3222
Tel: (215) 299-2184
JHorn@foxrothschild.com

Accepted by FINRA:

5/9/17
Date

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



Richard Chin
Chief Counsel
FINRA Department of Enforcement
Brookfield Place
200 Liberty Street, 11th Floor
New York, New York 10281

Date

Eli S. Ungar, Respondent

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