

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051267401**

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

RE: Cheryl Ann Stallings
General Securities Representative
CRD No. 1162913

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

Cheryl Ann Stallings ("Stallings") entered the securities industry with a FINRA regulated broker-dealer in 1979 as a non-licensed operations employee. In July 1993, she became a general securities representative ("GSR") (Series 7). She became a general securities sales supervisor (Series 8) in December 1997. In September 2009, she joined LPL Financial LLC ("LPL"), a FINRA regulated broker-dealer, serving as both as a GSR and a general securities sales supervisor. On August 3, 2017, LPL filed a Form U5 stating that Stallings was discharged for: "Violation of Firm policy regarding fiduciary capacities and being a joint owner on two different clients banking accounts." Thereafter, she registered with another FINRA regulated broker-dealer until resigning on February 9, 2018. Stallings is not currently associated with any FINRA regulated broker-dealer, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

Between May 2014 and December 2016, Stallings circumvented her firm's supervisory system and procedures by failing to disclose that she was named as power of attorney for a firm customer, had control over two firm customers' bank accounts, was named as successor trustee and beneficiary of a firm customer's trust and by making false statements in firm documents relating to each, in violation of FINRA Rule 2010. Upon the firm customers' deaths, more than \$60,000 passed to Stallings from the customers' bank accounts and she received \$248,000 as beneficiary of a firm customer's estate. Stallings also improperly used approximately \$5,300 of a firm customer's funds in violation of FINRA Rules 2150 and 2010. Additionally, Stallings made false statements and misrepresentations to her firm on annual compliance questionnaires and on a request form to act as trustee, in violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Circumvention of Firm's Supervisory System and Procedures

FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade." Circumventing the firm's supervisory system and procedures, thereby compromising the firm's ability to supervise the representative, reflects directly on the representative's ability to comply with these obligations and is inconsistent with the high standards of commercial honor and just and equitable principles of trade required by FINRA Rule 2010. In addition to being a GSR, Stallings served as a branch office manager tasked with enforcing LPL's policies and procedures.

Prohibited Custody and Beneficiary of Customer Bank Accounts

LPL's supervisory procedures strictly prohibited registered representatives from "taking custody of ... money, or other property belonging to others." Additionally, LPL's procedures provided: "[Registered representatives] should not be listed on a (non-family) transfer-on-death account. If the client is still alive, the advisor should remove themselves as beneficiary immediately."

On May 1, 2014, LPL customer CC, who was terminally ill, opened an IRA brokerage account at LPL with Stallings. CC funded the account by rolling over his employer funded retirement account valued at approximately \$35,000. On May 30, 2014, Stallings accompanied CC to his bank. At the bank, CC designated Stallings as his transfer-on-death beneficiary and added her onto the account providing her with the authority to write checks and deposit and withdraw money from the account. CC and Stallings both signed the bank document to make these changes. CC funded the bank account by transferring money from his IRA brokerage account. Upon CC's death in September 2014, approximately \$9,000 in CC's bank account passed to Stallings.

LPL Customer MN, an elderly customer, became Stallings' firm customer in or about April 2011. In the summer of 2014, MN added Stallings as a joint owner to a bank account that she held with her husband. MN also designated Stallings as the transfer-on-death beneficiary to the account, whereupon Stallings would inherit all funds in the account upon the deaths of MN and her husband. On or about August 19, 2014, Stallings and MN signed the bank form to make these changes. In December 2014, MN's husband passed away. Upon MN's death on August 23, 2015, approximately \$53,000 in the bank account passed to Stallings.

Neither CC nor MN were family members of Stallings.

Prohibited Trusteeship and Beneficiary of Customer Trust

LPL's supervisory procedures prohibited registered representatives from acting as trustees or successor trustees without prior firm approval and, even then, only if there was a family relationship. The firm's procedures also strictly prohibited registered representatives from being beneficiaries of a customer's estate unless the customer was an immediate family member. On June 4, 2015, MN appointed Stallings as successor trustee over customer MN's living trust. MN informed Stallings of her intent to appoint her as successor trustee. MN also named Stallings as a beneficiary of the trust granting her a \$248,000 payment from the trust. MN was not related to Stallings. On September 14, 2015, Stallings requested LPL's permission to act as trustee for MN's trust. On the request form, she stated that MN was her aunt, which was not true. Based on Stallings' misrepresentation, LPL subsequently approved her request.

Prohibited Power of Attorney

LPL's supervisory procedures required registered representatives to request and obtain firm approval prior to acting as a power of attorney for a firm customer. In April 2014, Stallings acquired a general power of attorney over customer CC. However, Stallings failed to request prior approval from the firm to act in this capacity.

By virtue of the foregoing, between May 2014 and December 2016, Stallings circumvented her firm's supervisory system and procedures and prevented the firm from properly supervising her by failing to disclose that she was named as power of attorney for a firm customer, had custody of two firm customers' bank accounts, and was named as successor trustee and beneficiary of a firm customer's trust in violation of FINRA Rule 2010.

2. Improper Use of Customer Funds

FINRA Rule 2150 states, "No member or person associated with a member shall make improper use of a customer's securities or funds." A violation of FINRA Rule 2150 violates FINRA Rule 2010.

In September and October 2015, shortly after customer MN's death and before her estate had settled, two automatic transfers from MN's LPL account totaling approximately \$5,300 were made into the bank account, which had then passed to Stallings. MN had designated these brokerage funds to beneficiaries other than Stallings. Rather than return the \$5,300 (dividends and interest) to the beneficiaries of the brokerage account, Stallings improperly used these funds to pay for her personal expenses. Accordingly, Stallings violated FINRA Rules 2150 and 2010.

3. False Statements and Misrepresentations

FINRA Rule 2010, applies to any misconduct that reflects on an associated person's ability to comply with regulatory requirements necessary to the proper functioning of the securities industry and protection of the public, including misrepresentations and false statements to an employing member firm.

On September 14, 2015, Stallings requested LPL's permission to act as trustee for MN's trust. On the request form, she falsely stated that MN was her aunt. Stallings also made false statements on her 2015 firm annual compliance questionnaire, misrepresenting that she was not a successor trustee or beneficiary of any customer trust despite being both a trustee and beneficiary of MN's trust at the time. Stallings also made false statements on her 2014 and 2015 firm annual compliance questionnaires, falsely stating she had not been granted control over any customer assets. This was clearly false as she had control over MN's and CC's bank accounts as described above. Additionally, Stallings made false statements on her 2014 firm annual compliance questionnaire, falsely denying she had been granted any power of attorney over a firm customer when she in fact had a power of attorney over CC.

Accordingly, by making false statements and misrepresentations to her employing firm, Stallings violated FINRA Rule 2010.

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

A bar from associating with any FINRA member firm in any capacity.

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.

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).

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.

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.

11/9/13
Date (mm/dd/yyyy)

Cheryl Ann Stallings
Cheryl Ann Stallings

Reviewed by:

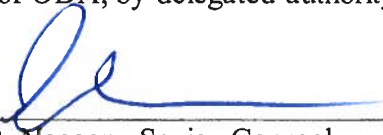
A handwritten signature in black ink, appearing to be 'DB' with a long horizontal stroke extending to the right.

David K. Bissinger
Counsel for Respondent
Bissinger, Oshman & Williams, LLP
2229 San Felipe, Suite 1500
Houston, TX 77019

Accepted by FINRA:

11/19/18
Date

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



Gauhar R. Naseem, Senior Counsel
FINRA Department of Enforcement
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