

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20170524266 02**

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

RE: Barry R. Block, Respondent
Former Registered Representative
CRD No. 1042376

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

Barry R. Block ("Block") entered the securities industry in 1982. In June 2009, Block became registered with FINRA through World Equity Group, Inc. ("WEG") until his resignation in February 2018. Block is not currently registered with FINRA or associated with any member firm, but he remains subject to FINRA's jurisdiction pursuant to Article V Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Block has no disciplinary history.

OVERVIEW

During the period from January 2017 to March 2017, in connection with eight variable annuity transactions involving five customers, Block negligently misrepresented the investment expenses when recommending variable annuity exchanges to his customers. Thus, he violated FINRA Rule 2010. In addition, in connection with two of these customers, Block also altered disclosure documents involving four transactions after they were signed by the customers, and failed to maintain originals or copies of the signed disclosure forms. As a result, Block violated FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

During the period from January to March 2017 (the "Relevant Period"), Block recommended eight variable annuity exchange transactions to five customers. On the variable annuity exchange disclosure forms signed by the customers, Block negligently misrepresented certain information to the customers. Specifically, as described below, Block misstated the fees associated with the new variable annuity, and/or the fees associated with the surrendered variable annuity, on the disclosure forms provided to the five customers.

During the Relevant Period, prior to in-person meetings with the customers to complete the exchange transactions, Block's assistant completed several sections of the disclosure forms. Portions of the prefilled sections of the forms contained inaccurate information regarding the mortality expenses and administrative fees ("M&E fees") and the Living Benefit Rider fees ("Rider fees") associated with the new variable annuity. Later, during the in-person customer meetings, Block or his assistant handwrote the M&E fees and Rider fees in different sections of the forms, including on the pages of the disclosure forms containing the side-by-side comparisons of the new and old variable annuities. On each form, some of the handwritten fee information was accurate, while some of it was inaccurate.

Block did not verify either the prefilled information or the handwritten fee information, and did not notice the inaccuracies and internal inconsistencies of the fee information. In addition to the fee information, the variable annuity disclosure forms had sections requiring Block to explain the rationale for the exchange transactions. On each disclosure form, Block wrote that the new policy was less expensive, when in fact the new policy was more expensive.¹

In connection with four of the above exchange transactions, involving two customers (a husband and wife), WEG's principal "C.D." noted the errors or ambiguities on the disclosure forms signed by the customers and returned the paperwork to Block for correction. Block, or his assistant, whited-out the

¹ Despite the representations that the new policies were less expensive, the fact that they were more expensive was evident from the disclosure documents.

information identified by C.D. and wrote new information over the whited-out sections. The additional information that Block or his assistant wrote on the whited-out portions of the forms made the forms more accurate. However, Block did not provide the corrected forms to the customers for them approve the changes, and did not otherwise inform the customers of the changes. Rather, Block or his assistant submitted the exchange applications for processing with the whited-out sections. Block failed to maintain the originals, or copies, of the disclosure forms as signed by the customers.

With respect to all of the above transactions, approximately a year after they were approved, the customers were notified of the errors in the paperwork that they had signed. None of the customers complained to the Firm, and none were harmed by the transactions.

FINRA Rule 2010 states that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." Negligent misrepresentations and omissions to customers violate Rule 2010.

In addition, FINRA Rule 4511 requires members to make and preserve accurate books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.² SEC Rule 17a-3 requires broker-dealers to make and keep current "[a] memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted." 17 C.F.R. § 240.17a-3(a)(6)(i).

By virtue of the foregoing, Block violated FINRA Rule 2010 by negligently misrepresenting the investment expenses and the rationale for the transactions on the variable annuity exchange disclosure forms signed by the customers. In addition, Block violated FINRA Rules 4511 and 2010 by altering transaction documents after they were signed by customers, and failing to preserve the documents as signed by the customers in the Firm's book and records.

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

A \$15,000 fine and a 3-month suspension from associating with a FINRA member firm in any and all capacities.

The fine shall be due and payable either immediately upon 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.

² FINRA Rule 0140 provides that "[p]ersons associated with a member shall have the same duties and obligations as a member under the Rules."

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.

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

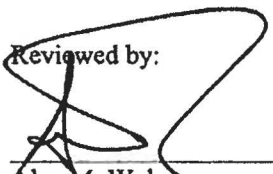
I understand that:

- 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.

02/04/2019
Date (mm/dd/yyyy)

Barry R. Block
Respondent, Barry R. Block

Reviewed by:


Alan M. Wolper
Counsel for Respondent
Ulmer & Berne LLP
500 W. Madison St., Ste. 3600
Chicago, IL 60661
(312) 658-6564

Accepted by FINRA:

2/25/19
Date

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

Miki Vucic Tesija

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