

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052475702**

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

RE: Anthony Pace, Respondent
General Securities Principal
CRD No. 2481049

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Anthony Pace submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Pace first became registered with FINRA through a FINRA member as a General Securities Representative (GS) in July 1994. He became registered with a different FINRA member firm as a General Securities Principal (GP) in June 2001. From October 2015 through May 2018, Pace was registered as a GS and GP through his association with former FINRA member firm Windsor Street Capital, LP (BD No. 34171) ("Windsor Street").¹ Since May 2018, Pace has been registered as a GS and GP through another FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Pace has no prior disciplinary history with the Securities and Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

¹ Windsor Street was expelled from FINRA membership on May 14, 2018. The Firm had been statutorily disqualified as the result of a July 28, 2017 SEC Order.

OVERVIEW

Between October 2016 through July 2017 (the “Relevant Period”), Pace failed to reasonably supervise JA, a registered representative at Windsor Street who excessively traded two customer accounts, in violation of FINRA Rules 3110(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3110(a) requires members to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with the applicable securities laws and regulations and with applicable FINRA rules. The rule requires supervisors to take reasonable steps to investigate red flags of potential misconduct and take appropriate action when misconduct has occurred. FINRA Rule 2010 requires that member firms and associated persons “observe high standards of commercial honor and just and equitable principles of trade.” A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

During the Relevant Period, Pace was the designated supervisor for JA, a registered representative at Windsor Street. During this period, JA was on heightened supervision, subjecting him to additional supervisory oversight. Pace was responsible for implementing the additional supervisory guidelines as detailed in JA’s Heightened Supervision Plan (“HS Plan”). Pursuant to the HS Plan, Pace was required to pre-approve all purchase and sale orders JA submitted prior to execution, by verifying each order with the customer. Additionally, the Firm’s written supervisory procedures (“WSPs”) required supervisors to review for excessive trading and churning, including reviewing turnover rates and cost-equity ratios. The Firm provided Pace with tools, such as the Active Account Report (“AA Report”), on a monthly basis to assist with the reviews. Moreover, the WSPs required documentation of all reviews and follow-up activities. Pace did not pre-approve all customer orders JA submitted, and he did not otherwise follow the Firm’s procedures to review for excessive trading and churning.

More specifically, during the Relevant Period, Pace failed reasonably to supervise JA’s trading in the accounts of two customers, LW and FP. Pace did not pre-approve the orders that JA submitted for LW and FP, or otherwise verify each order with the customer. Moreover, soon after JA became the registered representative on the accounts for LW and FP, both accounts began to appear on Windsor Street’s AA Report over multiple months. The AA Reports included the amount of commission, number of trades and activity levels, which indicated excessive trading. The turnover rates and cost-equity ratios for LW’s and FP’s accounts exceeded annualized turnover rates of thirty and annualized cost-equity ratios of 100 percent, both of which exceed indicia of excessive trading. Pace also failed to follow up on other red flags, including the following:

- Pace was aware that LW was 81 years old at account opening and although LW’s new account documentation showed an investment objective of “growth and income,” the account had a high level of activity. Rather than investigate the

suitability of the transactions or confirm with the customer, Pace relied on JA's representation that the investment objective was "speculation."

- Pace was copied on email correspondence from FP in which FP questioned JA's trading. For example, in one email, FP questioned JA on the aggressive and frequent trading in the account, asking that JA move to a more conservative trading approach. Pace failed to follow up with the customer or JA regarding the issues raised in any of the emails.

Apart from sending LW an activity letter, Pace did not investigate this trading, or otherwise document any review or follow-up activity he conducted related to trading in LW's and FP's accounts. The activity letter used boiler-plate language without detailing explicitly any information specific to that account's activity, except for the account's investment objective and risk tolerance,² and required LW's signature acknowledgement.

By virtue of the foregoing, Respondent violated FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- A 60-calendar-day suspension in all principal capacities from association with any FINRA member firm; and
- Fine of \$5,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes 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, Respondent may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a Member Firm in a non-suspended capacity, an application to continue that association may be required.

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

² For example, the letter did not include the number of trades, commissions and other costs associated with those trades or any losses during the referenced time period.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

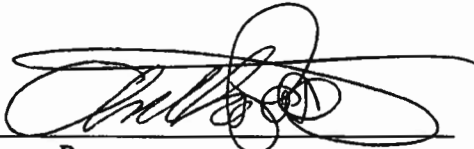
Respondent understands that:

- 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 Respondent; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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. Respondent 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. Respondent 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 Respondent's: (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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA or FINRA staff members for legal advice. Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

11/15/19
Date



Anthony Pace
Respondent

Accepted by FINRA:

12/3/19
Date

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

Vaishali Shetty
Vaishali Shetty
Senior Counsel
FINRA Department of Enforcement
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