

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JAMES PAQUETTE (CRD No. 2164109),

Respondent.

Disciplinary Proceeding No. 2017054889201

**COMPLAINT**

Department of Enforcement alleges as follows:

**SUMMARY**

1. James Paquette was charged with a felony in May 2016 but willfully failed to disclose the charge on his Uniform Application for Securities Industry Registration (“Form U4”) for more than a year after learning about the charge. By doing so, Paquette violated Article V, Section 2(c) of FINRA’s By-Laws and FINRA Rule 1122, and he also failed to observe high standards of commercial honor, violating FINRA Rule 2010.

**RESPONDENT AND JURISDICTION**

2. Paquette entered the securities industry in 1991.

3. Paquette was registered with FINRA or its predecessor as a general securities representative from October 23, 1991 to January 15, 2019, a general securities principal from January 18, 2002 to January 15, 2019, and an investment company and variable contracts products representative from March 29, 2012 to January 15, 2019. He was dually-registered as an investment adviser representative from 2002 to 2017.

4. From March 2012 to July 2017, Paquette associated with Investacorp, Inc. (CRD No. 7684) and its affiliate Investacorp Advisory Services, Inc. (CRD No. 109011).

5. Paquette has not associated with any member of FINRA since January 15, 2019, but he is subject to FINRA's jurisdiction in this disciplinary proceeding under Article V, Section 4(a) of FINRA's by-laws because this complaint charges him with misconduct that occurred while he associated with a member of FINRA.

### **FACTS**

6. In early May 2016, South Carolina charged Paquette with a felony, criminal sexual conduct in the third degree.

7. Paquette learned about that felony charge around May 3, 2016 and was arraigned on May 6, 2016.

8. A written indictment for the felony charge against Paquette was issued on October 12, 2016.

9. At all times relevant to this complaint, Question 14A(1) on Form U4 asked, "Have you ever ... been *charged* with any *felony*?"

10. Paquette did not disclose his felony charge on his Form U4 or notify Investacorp, Inc. about the felony charge so that the firm could amend his Form U4 at any time before June 2017. Paquette's failure to disclose his felony charge was not inadvertent or involuntary.

11. In June 2017, Paquette informed Investacorp, Inc. that he was facing a criminal charge—without revealing further details—after an insurance company refused to renew his appointment as an agent and Investacorp, Inc. began investigating the basis for the insurance company's decision.

12. On June 21, 2017, Investacorp, Inc. amended Paquette's Form U4 to disclose his felony charge.

13. On January 10, 2019, Paquette was convicted of the felony and sentenced to a prison term of ten years.

**FIRST CAUSE OF ACTION**

**Willful Failure to Disclose a Felony Charge on Form U4  
(FINRA's By-Laws Article V, Section 2(c), and FINRA Rules 1122 and 2010)**

14. Department of Enforcement incorporates by reference paragraphs 1-13 above.

15. Article V, Section 2(c) of FINRA's By-Laws states that "[e]very application for registration filed with [FINRA] shall be kept current at all times by supplementary amendments ... filed with [FINRA] not later than 30 days after learning of the facts or circumstances giving rise to the amendments."

16. FINRA Rule 1122 states that "[n]o ... person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

17. 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." FINRA Rule 0140(a) states that associated persons "shall have the same duties and obligations as a member under the Rules."

18. Paquette's felony charge was material for the purpose of Form U4 disclosures.

19. Paquette's failure to disclose his felony charge on his Form U4 before June 21, 2017 was willful.

20. By failing to disclose his felony charge on his Form U4 within thirty days after learning about the charge, Paquette willfully violated Article V, Section 2(c) of FINRA's by-laws and FINRA Rules 1122 and 2010.

**SECOND CAUSE OF ACTION (ALTERNATIVE TO THE FIRST CAUSE OF ACTION)**

**Non-willful Failure to Disclose a Felony Charge on Form U4  
(FINRA's By-Laws Article V, Section 2(c) and FINRA Rules 1122 and 2010)**

21. Department of Enforcement incorporates by reference paragraphs 1–18 above.
22. By failing to disclose his felony charge on his Form U4 within thirty days after learning about the charge, Paquette violated Article V, Section 2(c) of FINRA's by-laws and FINRA Rules 1122 and 2010.

**RELIEF REQUESTED**

Department of Enforcement respectfully requests that the Panel:

- A. Make findings of fact and conclusions of law that Paquette committed the violations that Department of Enforcement alleges and charges in this complaint;
- B. Order the imposition of one or more of the sanctions under FINRA Rule 8310(a), including monetary sanctions;
- C. Order Paquette to bear the costs of this proceeding that are fair and appropriate under the circumstances, in accordance with FINRA Rule 8330; and
- D. Make specific findings that Paquette's conduct as alleged and charged in the first cause of action was willful, the omitted information was material, and the omission to state material facts was on a Form U4; or, in the alternative to the relief in part D,
- E. Make specific findings that the omitted information was material and the omission to state material facts was on a Form U4.

Date: February 6, 2019

Respectfully submitted,

DEPARTMENT OF ENFORCEMENT



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