

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

Department of Enforcement,

Complainant,

v.

Stephen James Sullivan
(CRD No. 3123249),

Respondent.

Disciplinary Proceeding
No. 2018056490311

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In January and February 2024, Respondent Stephen James Sullivan (“Sullivan” or “Respondent”), failed to provide on-the-record (“OTR”) testimony requested pursuant to FINRA Rule 8210. In January and February 2024, Sullivan also failed to provide information and documents requested pursuant to FINRA Rule 8210. The Rule 8210 requests for testimony and for information and documents were issued in connection with an investigation into Sullivan’s potential churning and excessive trading in customers’ accounts while he was registered with FINRA member firm Spartan Capital Securities, LLC (“Spartan”). As a result, Sullivan violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. Sullivan first became registered with FINRA as a General Securities Representative (“GS”) through his association with a member firm in 1998. Between 1998 and 2019, Sullivan was registered through various FINRA member firms.

3. From November 2019 through October 2022, Sullivan was registered as a GS through his association with Spartan (BD No. 146251).

4. On October 5, 2022, Spartan filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”), representing that Sullivan’s termination was “voluntary.”

5. Sullivan has not been associated with a FINRA member firm since October 5, 2022.

6. Although Sullivan is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after October 5, 2022, which was the effective date of termination of Sullivan’s registration through Spartan, and (2) the Complaint charges Sullivan with failing to appear for on-the-record testimony and failing to respond to FINRA requests for information and documents during the two-year period after the date on which he ceased to be registered or associated with a FINRA member.

FACTS

Sullivan Failed to Comply with Rule 8210 Requests for OTR Testimony

7. In September 2023, FINRA began investigating Sullivan for potential churning and excessive trading in his customers’ accounts at Spartan.

8. On November 30, 2023, FINRA staff sent a request to Sullivan’s counsel, pursuant to FINRA Rule 8210, requesting that Sullivan provide OTR testimony on January 9, 2024 (the “First OTR Request”).

9. Pursuant to the First OTR Request, on January 9, 2024, Sullivan appeared for OTR testimony via Zoom. Sullivan was represented by counsel at that time and his counsel also

appeared for the OTR via Zoom.

10. Sullivan appeared via Zoom at approximately 10:00 a.m. Eastern Time on January 9, 2024, and testified for approximately five hours. During this time, FINRA staff asked Sullivan questions about his background and about his relationship and recommendations to one of his customers. At several points during his testimony, Sullivan threatened to terminate the OTR because of his purported dissatisfaction with the questions being asked of him.

11. At approximately 3:00 p.m. Eastern Time, FINRA staff asked Sullivan about Regulation Best Interest and whether he had changed the investment strategy he recommended to his customers as a result of its implementation. Sullivan refused to answer the question and stated unequivocally that he would no longer provide testimony.

12. FINRA staff then notified Sullivan, in the presence of his counsel, that Sullivan's termination of the OTR before FINRA staff had concluded asking him questions could subject him to liability for violating FINRA Rule 8210. Sullivan replied that he understood but nonetheless refused to further participate, left the OTR by shutting off his computer, and failed to return to complete his testimony.

13. At the time that Sullivan terminated the OTR, FINRA staff still had a substantial number of remaining questions regarding the suitability and supervision of Sullivan's trading in the accounts of four customers.

14. Sullivan's termination of the OTR before these questions could be asked materially impeded FINRA's investigation because FINRA staff was unable obtain information about whether there was a reasonable basis for Sullivan's recommendations.

15. On January 17, 2024, Sullivan's counsel notified FINRA that he no longer represented Sullivan.

16. In an attempt to complete Sullivan’s testimony, FINRA staff sent a request to Sullivan on January 18, 2024, pursuant to FINRA Rule 8210, requesting that Sullivan appear for OTR testimony on February 2, 2024 at 10:00 a.m. Eastern Time (the “Second OTR Request”).

17. FINRA served Sullivan with the Second OTR Request via certified and first-class mail to Sullivan’s residential address as reflected in the Central Registration Depository (“Sullivan’s CRD Address”). Sullivan had also identified this address on the Background Questionnaire he produced in connection with his initial OTR held on January 9, 2024.

18. FINRA also sent courtesy copies of the Second OTR Request to Sullivan’s personal email addresses, which he had also identified on his Background Questionnaire (“Sullivan’s Email Addresses”).

19. The tracking information associated with the certified mailing sent to Sullivan’s CRD Address on January 18, 2024, indicated that the Second OTR Request for Sullivan’s testimony was delivered on January 22, 2024.

20. The first-class mailing of the Second OTR Request for Sullivan’s testimony sent to Sullivan’s CRD Address on January 18, 2024, was not returned to FINRA.

21. Sullivan never contacted FINRA regarding the Second OTR Request.

22. On February 2, 2024, Enforcement opened the record to complete Sullivan’s OTR via Zoom at 10:15 a.m. Eastern, after waiting for 15 minutes on Zoom for Sullivan to appear, starting at 10:00 a.m. Eastern. Sullivan never joined the OTR before Enforcement closed the record at 10:18 a.m. Eastern Time.

Sullivan Failed to Comply with Rule 8210 Requests for Information and Documents

23. For purposes of its investigation of Sullivan, and pursuant to FINRA Rule 8210, on January 18, 2024, following Sullivan’s termination of his initial OTR, FINRA requested that

Sullivan provide information and documents related to his communications with Spartan customers (the “First Information and Documents Request”). Sullivan’s response to the First Information and Documents Request was due on February 1, 2024.

24. FINRA served the First Information and Documents Request via certified and first-class mail to Sullivan’s CRD Address.

25. FINRA also sent courtesy copies of the First Information and Documents Request to Sullivan’s Email Addresses.

26. The tracking information associated with the certified mailing of the First Information and Documents Request sent to Sullivan’s CRD Address indicated that it was delivered on January 22, 2024.

27. The first-class mailing of the First Information and Documents Request to Sullivan’s CRD Address was not returned to FINRA.

28. Sullivan did not respond to the First Information and Documents Request in any way, nor did he request an extension of the response deadline.

29. As a result, on February 2, 2024, FINRA sent to Sullivan a second request for the same information and documents sought in the First Information and Documents Request (the “Second Information and Documents Request”). Sullivan’s response to the Second Information and Documents Request was due on February 16, 2024.

30. FINRA served the Second Information and Documents Request via certified and first-class mail to Sullivan’s CRD Address.

31. FINRA sent courtesy copies of the Second Information and Documents Request to Sullivan’s Email Addresses.

32. The tracking information associated with the certified mailing of the Second

Information and Documents Request sent to Sullivan's CRD Address, indicated that it was delivered on February 7, 2024.

33. The first-class mailing of the Second Information and Documents Request sent to Sullivan's CRD Address was not returned to FINRA.

34. On the evening of February 2, 2024, after Enforcement had transmitted the Second Information and Documents Request to Sullivan by email, Sullivan replied to the email attaching the Second Information and Documents Request, stating he would not respond to any requests for information or documents.

35. Sullivan did not otherwise respond to the Second Information and Documents Request or request an extension of the response deadline.

**FIRST CAUSE OF ACTION
Failure to Provide Testimony
(Violation of FINRA Rules 8210 and 2010)**

36. Enforcement realleges and incorporates by reference all preceding paragraphs.

37. FINRA Rule 8210(a)(1) states, in relevant part, that FINRA may require a person subject to FINRA's jurisdiction to "testify at a location specified by FINRA staff, under oath or affirmation administered by a court reporter or a notary public if requested, with respect to any matter involved in the investigation, complaint, examination, or proceeding"

38. FINRA Rule 8210(c) provides that "[n]o member or person shall fail to provide information or testimony . . . pursuant to this Rule."

39. FINRA Rule 8210(d) specifies that notice under Rule 8210 shall be deemed received by a currently or formerly registered person to whom it is directed by mailing or otherwise transmitting the notice to the last known residential address of the person as reflected in CRD.

40. FINRA Rule 2010 requires persons associated with a FINRA member, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

41. Conduct that violates FINRA Rule 8210 also violates FINRA Rule 2010.

42. Sullivan terminated the OTR on January 9, 2024, which was scheduled pursuant to the First OTR Request, before FINRA staff had completed its questioning.

43. Sullivan also failed to appear for his continued OTR to complete his testimony, which was scheduled for February 2, 2024, pursuant to the Second OTR Request.

44. The testimony requested of Sullivan pursuant to FINRA Rule 8210 in the First OTR Request and Second OTR Request was material to FINRA’s investigation of Sullivan’s potential churning and excessive trading of customer accounts at Spartan. Sullivan’s refusal to appear to complete his OTR significantly impeded the completion of FINRA’s investigation into his potential misconduct.

45. Based on the foregoing, Sullivan violated FINRA Rules 8210 and 2010.

**SECOND CAUSE OF ACTION
Failure to Provide Information and Documents
(Violation of FINRA Rules 8210 and 2010)**

46. Enforcement realleges and incorporates by reference all preceding paragraphs.

47. FINRA Rule 8210(a)(1) states, in relevant part, that FINRA staff may require a person subject to FINRA’s jurisdiction to “provide information orally, [or] in writing, . . . with respect to any matter involved in the investigation, complaint, examination, or proceeding”

48. FINRA Rule 8210(a)(2) states that FINRA staff shall have the right to “inspect and copy the books, records, and accounts of such . . . person with respect to any matter involved in the investigation, complaint, examination, or proceeding that is in such . . . person’s

possession, custody or control.”

49. Sullivan did not respond to the First and Second Information and Documents Requests that FINRA issued in connection with its investigation pursuant to Rule 8210. Instead, Sullivan advised FINRA staff in a February 2, 2024 email that he would not be responding to any requests.

50. The First and Second Information and Document Requests sought the production of information and documents that were material to FINRA’s investigation of Sullivan’s potential churning and excessive trading of customer accounts at Spartan. Sullivan’s failure to respond to the First and Second Information and Document Requests significantly impeded the completion of FINRA’s investigation into his potential misconduct.

51. Based on the foregoing, Sullivan violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: April 30, 2024



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