

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

Department of Enforcement,

Complainant,

v.

Christopher Peter Tranchina
CRD No. 5657849,

Respondent.

Disciplinary Proceeding
No. 2018058588501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Hours after member firm Horner, Townsend & Kent (“HTK”) fired Christopher Peter Tranchina and instructed him not to return to the office, Tranchina broke into his locked office and stole client-related files belonging to HTK and its affiliated insurance company. Through his theft of this property, Tranchina committed conversion in violation of FINRA Rule 2010.
2. The files that Tranchina stole related to HTK clients and prospective clients, and Tranchina had no authorization or right to take them. Tranchina accessed this information, which included firm customers’ names, addresses, telephone numbers, and email addresses, in an effort to take these customers with him to a new firm. By accessing HTK’s information without authorization, Tranchina violated FINRA Rule 2010.
3. After discovering Tranchina’s breaking-and-entering and theft of firm files, HTK personnel complained to the police and Tranchina was criminally charged with theft by unlawful

taking. Tranchina willfully failed to amend his Uniform Application for Securities Industry Registration (Form U4) to disclose this criminal charge. In so doing, Tranchina violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

RESPONDENT AND JURISDICTION

4. Tranchina first registered with FINRA in June 2009 as an Investment Company and Variable Contracts Products Representative through an association with HTK (CRD No. 4031).

5. While registered through HTK, Tranchina was also an insurance adviser for the insurance company that owns HTK (the "Insurance Company").

6. On May 18, 2018, HTK filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that it had discharged Tranchina.

7. The Form U5 provided the following Termination Explanation:

The RR was terminated for purchasing domain names for websites containing the name of the another [sic] adviser's DBA, and directed the RR's website hosting vendor to re-direct traffic from the websites of the newly acquired domain names to his own DBA website. In addition, on the day of his termination (and, after his termination), the RR entered the member firm's premises after business hours, accessed his locked, former office without authorization, and removed items from the office without authorization.

8. Since July 2018, Tranchina has been registered with FINRA as an Investment Company and Variable Contracts Products Representative through an association with another member firm.

9. FINRA possesses jurisdiction over Tranchina because he currently is registered with FINRA and associated with a FINRA member firm.

FACTS

10. While registered through HTK, Tranchina worked in a branch office in Edison, New Jersey. Tranchina was a member of a team headed by a senior representative, “JG” (the “JG Team”).

11. Tranchina had difficulties working with JG. As a result, in early 2018, and at Tranchina’s request, Tranchina separated from the JG Team. He remained registered through HTK.

Tranchina Is Suspended and then Terminated for Creating Websites to Divert Customers from the JG Team to his Competing Advisory Team

12. In or around October 2017, Tranchina created and registered a limited liability company in New Jersey. Tranchina gave the entity the same name as the DBA name of the JG Team so that he would block the JG Team from securing the name.

13. In or around February and March 2018, Tranchina created two websites with domain names that were the same name as the DBA of the JG Team, with one website ending in .com and the other ending in .net.

14. In April 2018, Tranchina took steps to direct internet traffic from the two websites he created to a third website Tranchina created for a new advisory team that he was planning to launch to compete with the JG Team.

15. Later in April 2018, during a routine email review, HTK detected an email about the first two websites that Tranchina created with domain names identical to the name of the JG Team.

16. Upon this discovery, the branch manager of the HTK office where Tranchina worked suspended Tranchina.

17. The branch manager told Tranchina that he was not permitted on the premises of the branch office while suspended.

18. The branch manager also terminated Tranchina's access to the firm's computer systems.

19. On April 27, 2018, and while Tranchina remained suspended, the branch manager called Tranchina and fired him ("the April 27 call"). The branch manager told Tranchina that his contracts with HTK and the Insurance Company were terminated effective immediately.

20. Tranchina's contract with HTK provided, in relevant part: "Upon termination, Representative shall, upon demand, . . . return all originals and copies of client files, . . . which the parties hereby specifically agree are HTK's property."

21. Tranchina's contract with the Insurance Company provided, in relevant part: "All policyholder data (including without limitation names, addresses, type of policy, due date of premiums, policy renewal dates, and personal history data and copies thereof), records, files, . . . shall be and remain the property of [the Insurance Company][.]"

22. During the April 27 call, the branch manager instructed Tranchina not to return to the office.

23. During the April 27 call, Tranchina asked the branch manager about retrieving his personal belongings. The branch manager told Tranchina that his personal belongings would be shipped to him at his home address.

24. During the April 27 call, Tranchina asked the branch manager about client files. The branch manager informed Tranchina that any client files he shared with JG (that is, those client files on which JG's name also appeared) would remain with JG.

25. Excluding the client files he shared with JG, which would remain with JG and HTK, Tranchina believed he would be able to take with him only approximately 5% of his “book of business.”

Tranchina Breaks Into HTK’s Office and Steals Customer Files

26. Around 8:30 pm on the same day that the branch manager fired Tranchina (*i.e.*, Friday, April 27, 2018)—and contrary to the branch manager’s instructions—Tranchina returned and forced his way into HTK’s office space.

27. The only people then in the branch office were the cleaning staff.

28. Tranchina’s personal office was locked.

29. Tranchina tried his key to access his personal office, but the key did not work.

30. Tranchina asked the cleaning staff to open his locked office door, but their key did not work either.

31. After the cleaning staff walked away, Tranchina put a chair next to his office door, stood on the chair, and put a broom handle through the drop ceiling tile and over the threshold of the door to unlock his office door handle from the inside.

32. Tranchina broke the ceiling tile, which fell to the ground.

33. Tranchina entered his office and took client files.

34. The client files contained biographical information of the customers and prospective customers of HTK and the Insurance Company, including their names, addresses, telephone numbers, and email addresses.

35. HTK and/or the Insurance Company owned the client files. Tranchina had no authorization or right to possess them after he was terminated.

36. Tranchina vacuumed the floor of the branch office where the ceiling tile had fallen and broken.

37. While vacuuming, Tranchina was confronted by the cleaning staff supervisor. Tranchina told the cleaning staff that his name was “Mike.” Tranchina has never been known as “Mike.”

38. Tranchina removed the client files from the branch office.

39. Tranchina intended to use the files to take the customers with him to a new firm.

40. Tranchina only took client files that night. Tranchina did not retrieve any personal belongings from his office.

41. On or about May 3, 2018, HTK sent Tranchina a letter, demanding the return of the client files he had taken.

42. On or about May 8, 2018, Tranchina returned, as he later testified, “[a]bout a foot high worth of files” to HTK and the Insurance Company, each file representing an individual client.

43. These files concerned approximately ten to twelve customers or prospective customers of HTK and the Insurance Company.

44. HTK filed a Form U5 terminating Tranchina’s registration with the firm on May 18, 2018.

Tranchina Is Charged with Theft but Fails to Report it on his Form U4

45. The branch manager made a police report after he learned about Tranchina’s breaking-and-entering into, and theft from, the HTK branch office.

46. In July 2018, the branch manager pressed criminal charges against Tranchina. Specifically, the branch manager swore out a formal complaint by summons against Tranchina.

A New Jersey municipal court judge found probable cause for the accusations and authorized the issuance of a Complaint-Summons against Tranchina.

47. The Complaint-Summons charged Tranchina with, among other offenses, theft by unlawful taking or disposition, in violation of Section 2C:20-3A of the New Jersey Code of Criminal Justice.

48. New Jersey does not classify its criminal offenses as felonies or misdemeanors per se. However, under New Jersey law, theft by unlawful taking or disposition, in violation of Section 2C:20-3A of the New Jersey Code of Criminal Justice, is at least a misdemeanor involving the wrongful taking of property and can be a felony, depending on the grade.

49. In July or August 2018, Tranchina received a copy of the Complaint-Summons, which identified the criminal charges against him, including the criminal charge of theft by unlawful taking or disposition, in violation of Section 2C:20-3A of the New Jersey Code of Criminal Justice.

50. The Complaint-Summons stated that probable cause was found for the issuance of the Complaint-Summons, and it ordered Tranchina to appear in the Edison Township Municipal Court.

51. In September 2018 and again in October 2018, Tranchina appeared in court relating to these criminal charges.

52. At the October 2018 hearing, the court placed Tranchina on conditional dismissal for twelve months such that, with good behavior, the pending charges would be dismissed and expunged in October 2019. The pending charges were dismissed on October 15, 2019.

53. At all relevant times, FINRA's Form U4 contained these questions:

14A. (1) Have you ever: . . .

(b) been charged with any felony?

14B. (1) Have you ever:

- (a) been convicted of or pled guilty or nolo contendere (“no contest”) in a domestic, foreign or military court to a misdemeanor involving: . . . wrongful taking of property[?]
- (b) been charged with a misdemeanor specified in 14B(1)(a)?

54. On July 2, 2018, which was before the issuance and service of the Complaint-Summons, Tranchina’s current member firm filed an initial Form U4 for Tranchina. Tranchina’s answers to Questions 14A(1)(b) and 14B(1)(b) were “No.” Those responses were correct because Tranchina had not been charged with a crime at that time.

55. After he was charged with a crime, Tranchina did not amend his Form U4 within 30 days to disclose the criminal charge.

56. Tranchina’s current member firm filed an amended Form U4 for Tranchina on September 24, 2019. In that amended Form U4, Tranchina’s answers to Questions 14A(1)(b) and 14B(1)(b) remained “No.” Those responses were false.

57. On September 26, 2019, Tranchina’s current member firm filed a second amended Form U4 for Tranchina. In that amended Form U4, Tranchina’s answers to Questions 14A(1)(b) and 14B(1)(b) remained “No.” Those responses were false.

58. As of the date of this Complaint, Tranchina has not amended his Form U4 to disclose that he has been criminally charged with theft by unlawful taking or disposition.

FIRST CAUSE OF ACTION
Conversion
(FINRA Rule 2010)

59. The Department of Enforcement realleges and incorporates by reference all previous paragraphs.

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

61. FINRA Rule 2010 proscribes all unethical, business-related conduct, even if it is not in connection with securities or a securities transaction. An associated person’s “business” includes his business relationship with his employer firm.

62. Conversion is the intentional and unauthorized taking of or exercise of ownership over property by one who neither owns the property nor is entitled to possess it.

63. Conversion is a violation of FINRA Rule 2010.

64. After business hours on April 27, 2018, and after he had been fired and instructed not to return to the office, Tranchina returned to the HTK branch office and broke into his former personal office.

65. Tranchina then took possession of and removed from the premises of HTK various client-related files, which included HTK customers and the Insurance Company customers, including names, addresses, telephone numbers, and email addresses.

66. Tranchina was not authorized to take possession of or remove from the office any of these files.

67. Tranchina did not own the files that he took. Rather, HTK and/or the Insurance Company owned these files. HTK explicitly told Tranchina that he could not enter the firm’s offices.

68. Tranchina had no right to possess the files that he took from HTK and the Insurance Company.

69. Tranchina took these files with the intent to deprive HTK and/or the Insurance Company of them, because Tranchina wanted to take the customers and prospective customers identified in these files with him to a new firm.

70. By virtue of the foregoing conduct, Tranchina committed conversion in violation of FINRA Rule 2010.

SECOND CAUSE OF ACTION
Unauthorized Access to Firm Information
(FINRA Rule 2010)

71. The Department of Enforcement realleges and incorporates by reference all previous paragraphs.

72. Accessing firm information without authorization is a violation of FINRA Rule 2010.

73. Although he was not authorized to do so, on April 27, 2018, Tranchina accessed HTK files containing nonpublic personal information about HTK customers and prospective customers when he broke into the firm's office space and took possession of and removed HTK's files.

74. Tranchina accessed HTK's files and the information in them for a business-related purpose, namely, to take HTK's customers and prospective customers with him to a new firm.

75. By virtue of the foregoing conduct, Tranchina gained unauthorized access to firm information in violation of FINRA Rule 2010.

THIRD CAUSE OF ACTION
Willful Failure to Amend Form U4 to Disclose Material Information
(Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010)

76. The Department of Enforcement realleges and incorporates by reference all previous paragraphs.

77. Article V, Section 2(c) of FINRA's By-Laws requires a registered representative to keep his or her Form U4 "current at all times" by supplementary amendments, which must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

78. 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."

79. A violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 also is a violation of FINRA Rule 2010.

80. At all relevant times, Question 14A(1)(b) of the Form U4 asked registered representatives: "Have you ever . . . been charged with any felony?"

81. At all relevant times, Question 14B(1)(b) of the Form U4 asked registered representatives: "Have you ever . . . been charged with a misdemeanor [involving the wrongful taking of property]?"

82. Tranchina has known that he was criminally charged with theft by unlawful taking or disposition, in violation of Section 2C:20-3A of the New Jersey Code of Criminal Justice, since July or August 2018, when he received a copy of the criminal Complaint-Summons against him.

83. The charge of theft by unlawful taking or disposition, in violation of Section 2C:20-3A of the New Jersey Code of Criminal Justice, is at least a misdemeanor involving the wrongful taking of property and can be a felony, depending on the grade.

84. Tranchina was required to amend his Form U4 within 30 days of learning of the criminal theft charge against him.

85. As of the date of this Complaint, Tranchina has not amended his Form U4 to disclose the criminal theft charge against him.

86. Tranchina's theft charge constituted material information that Tranchina was obligated to disclose on his Form U4.

87. Tranchina's failure to disclose the theft charge on his Form U4 was willful.

88. Based on the foregoing, Tranchina willfully failed to amend his Form U4 to disclose the criminal theft charge in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

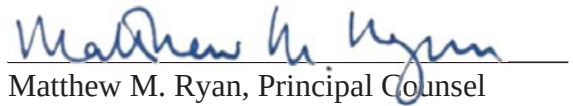
RELIEF REQUESTED

WHEREFORE, the Department of 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;
- C. order that Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent's conduct, as alleged in the Third Cause of Action, was willful; that the omitted information was material; and that the omission to state material facts was on a Form U4.

FINRA DEPARTMENT OF ENFORCEMENT

Date: June 29, 2020

A handwritten signature in blue ink, reading "Matthew M. Ryan", is positioned above a horizontal line.

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