

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

Department of Enforcement,

Complainant,

v.

Adam James Makkai  
(CRD No. 4025159),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2018058924502

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. Between December 2017 and March 2018 (the “Relevant Period”), Adam James Makkai improperly shared approximately \$27,000 in commissions with an unregistered person. Specifically, while associated with LPL Financial LLC (the “Firm”) (CRD No. 6413), Makkai shared commissions with an unregistered former colleague (“Representative A”) who had been terminated by LPL in October 2017 for borrowing over \$100,000 from an elderly Firm customer. By sharing commissions with an unregistered person, Makkai violated FINRA Rules 2040 and 2010.

**RESPONDENT AND JURISDICTION**

2. Makkai first associated with a FINRA member firm in September 1999 and, between September 1999 and September 2009, was associated with two FINRA member firms. In September 2009, Makkai became associated with LPL as a General Securities Representative and an Investment Company and Variable Contracts Products Representative. In a Uniform

Termination Notice for Securities Industry Registration (“Form U5”) dated June 20, 2018, LPL reported it had terminated Makkai’s association with the Firm for “[s]haring commissions and fees with an unregistered person.”

3. Although Makkai is no longer registered or associated with a FINRA member firm, he remains subject to FINRA’s jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA’s By-Laws, because (a) the Complaint was filed within two years after June 20, 2018, the effective date of the termination of Makkai’s registration with LPL, and (b) the Complaint charges Makkai with misconduct committed while he was registered or associated with a FINRA member firm.

#### **CAUSE OF ACTION**

##### **Sharing Commissions with an Unregistered Person *Violation of FINRA Rules 2040 and 2010***

4. Enforcement realleges and incorporates by reference Paragraphs 1 through 3 above.

5. FINRA Rule 2040 provides that “[n]o member or associated person shall, directly or indirectly, pay any compensation, fees, concessions, discounts, commissions or other allowances to (1) any person that is not registered as a broker-dealer under Section 15(a) of the Exchange Act but, by reason of receipt of any such payments and the activities related thereto, is required to be so registered under applicable federal securities laws and SEA rules and regulations” unless, subject to certain restrictions, the recipient is a retiring registered representative or a nonregistered foreign finder.

6. FINRA Rule 2010 requires FINRA member firms and their associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

7. A violation of FINRA Rule 2040 constitutes a violation of FINRA Rule 2010.

8. During the Relevant Period, LPL's written policies and procedures prohibited registered representatives from directly or indirectly sharing commissions received for a securities transaction with an unregistered person without the prior written approval of the Firm.

9. On October 5, 2017, LPL terminated Representative A's employment for borrowing over \$100,000 from his elderly Firm customer without providing prior notice to, and receiving written approval from, the Firm. Representative A's registrations were terminated on October 27, 2017 and Representative A did not associate with another FINRA member firm until August 23, 2018.

10. Shortly after Representative A's termination, Makkai began negotiating the purchase of Representative A's book of business. The Firm transferred the brokerage accounts of Representative A's former customers to Makkai, using a newly-created representative code to direct brokerage revenue received through LPL to Makkai. Following the reassignment, all revenue generated by securities transactions in the brokerage accounts of Representative A's former customers was paid to Makkai.

11. On October 10, 2017, LPL instructed Makkai that Representative A was prohibited from affiliating with the Firm in any capacity.

12. Although Makkai knew he was prohibited from sharing commissions with Representative A without LPL's prior written approval, Makkai agreed to pay Representative A all of the commissions generated from the accounts of Representative A's former Firm customers, less \$1,000 per month, until Makkai and Representative A entered into a formal agreement for the purchase and sale of Representative A's book of business.

13. Makkai did not provide notice to, or receive permission from, LPL before entering into or making payments pursuant to his commission-sharing arrangement with Representative A.

14. From December 20, 2017 through March 19, 2018, pursuant to their commission-sharing arrangement, Makkai paid Representative A approximately \$27,037, representing a portion of the commissions Makkai received from securities transactions conducted in the Firm accounts of Representative A's former customers.

15. Makkai did so even though, after he began paying commissions to Representative A, Makkai was expressly instructed by his LPL branch manager that he could not share commissions with Representative A.

16. By continuing to meet with his former Firm customers, and receiving commissions from securities transactions conducted in Firm accounts, Representative A engaged in conduct that otherwise required him to be registered.

17. By sharing approximately \$27,037 of commissions with Representative A, an unregistered person, Makkai violated FINRA Rules 2040 and 2010.

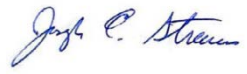
### **RELIEF REQUESTED**

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Makkai 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 Makkai bear such costs of this proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

## FINRA DEPARTMENT OF ENFORCEMENT

Date: June 12, 2020



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