

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019061789201**

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

RE: Christopher Harrington, Jr. (Respondent)
Former General Securities Representative
CRD No. 5250991

Pursuant to FINRA Rule 9216, Respondent Christopher Harrington, Jr. 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Harrington entered the securities industry in 2006. In April 2011, Harrington became associated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, and became registered as a General Securities Representative (GSR) in May 2011. Harrington voluntarily terminated from Merrill Lynch in November 2017. In December 2017, Harrington became associated with a FINRA member, and at that time became registered as a GSR. According to a Uniform Termination Notice for Securities Registration (Form U5) filed by that FINRA member on June 30, 2022, Harrington was terminated due to an “[o]ngoing [FINRA] investigation relating to activities from a previous employer.”

Harrington is not currently associated with any FINRA member firm but remains subject to FINRA’s jurisdiction pursuant to Article V, Section IV of FINRA’s By-Laws.¹

OVERVIEW

From June 2014 to August 2017, while associated with Merrill Lynch, Harrington recommended transactions in a customer’s account that inflated his own compensation and caused the customer to incur unnecessary fees and costs, without a reasonable basis to believe the transactions were suitable. First, Harrington recommended purchases or sales of securities in which the customer paid fees that could easily have been avoided. Second, Harrington recommended short-term trading of securities generally intended to be held long-

¹ For more information about the Respondent, visit BrokerCheck® at www.finra.org/brokercheck.

term, and recommended excessively frequent trading. All these practices increased his own compensation to the customer's detriment. Harrington had no reasonable basis to believe that these transactions were suitable for his customer. Accordingly, Harrington violated FINRA Rules 2111(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a prior FINRA investigation.

FINRA Rule 2111(a) requires that "an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer[.]" In 2003, NASD Notice to Members 03-68 reminded members that the manner in which a recommended security is purchased can render an associated person's recommendation unsuitable if there is a lower cost alternative for purchasing the security.

FINRA Rule 2010 provides that associated persons in the conduct of their business "shall observe high standards of commercial honor and just and equitable principles of trade."

A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010.

A. Harrington recommended securities transactions to maximize his own compensation and caused the customer to incur unwarranted commissions and fees.

In June 2014, Customer A invested his entire payment from a disabling accident – approximately \$10 million – with Harrington. Customer A was 48 years old when he began investing with Harrington and depended on the investment assets for the rest of his life because he was no longer able to work. Customer A sought total return from the settlement proceeds, while minimizing transaction costs. Harrington repeatedly recommended transactions that caused Customer A to incur unwarranted commissions and fees without a reasonable basis to believe that the recommendations were suitable.

Harrington recommended that Customer A purchase and sell securities in ways that caused Customer A to pay commissions or incur fees, which Harrington received, that could easily have been avoided. For example, by late 2014, Harrington had recommended the purchase of approximately \$1.4 million in market-linked investments (MLIs) for which Harrington received a fee. Shortly thereafter, Harrington moved these MLIs to another account, resulting in a fee that Customer A paid, and Harrington received. In addition, between February 2015 and March 2015, Harrington recommended selling approximately \$550,000 of MLIs and using the proceeds of the sales to purchase other securities in a way that caused Customer A to incur approximately \$7,550 in total commissions. Still further, in August 2016, Harrington recommended to Customer A the liquidation of over \$1.1 million and the purchase of over \$1 million of different exchange-traded funds (ETFs). These transactions generated approximately \$25,000 in total commissions for Harrington. In each case, Harrington could have recommended the transactions in a different manner that would have avoided unnecessary and unwarranted fees and commissions.

There was no purpose for the timing of these transactions or their manner of execution other than to increase Harrington's fees. Because Harrington had no reasonable basis to believe that these recommended transactions were suitable for Customer A, Harrington violated FINRA Rules 2111(a) and 2010.

B. Harrington engaged in short-term trading, including in securities typically intended to be held long-term, to his benefit and his customer's detriment.

Harrington also engaged in short-term trading, including in products generally intended to be held long-term, in Customer A's accounts. Harrington did not have a reasonable basis to believe that the recommended transactions were suitable for Customer A.

Class A mutual fund shares typically include substantial upfront sales charges, known as "front-end loads." They are generally suitable only as long-term investments and not for short-term trading because an investor usually must hold the A share for a long period of time to recoup the front-end load. Nevertheless, between June 2014 and December 2014, Harrington recommended purchases of approximately \$1,750,000 of Class A mutual funds shares in eight different fund families and sold those shares shortly thereafter. By early May 2015, Harrington began liquidating those shares, at times using the sale proceeds to purchase other products that generated new sales charges or commissions, and engaged in similar conduct throughout the relevant period. In sum, during the relevant period Harrington recommended purchases of \$5,308,080 of Class A mutual fund shares in Customer A's account, and sold \$5,021,252 of those shares, on average less than a year after the initial purchase.

Harrington also recommended that Customer A engage in short-term trading of other products that Merrill considered should be held long-term, including Unit Investment Trusts (UITs)² and MLIs.³ Between March 2015 and May 2017, Harrington recommended purchases of eight different UITs for approximately \$1 million in Customer A's account and sold each one a short time later. Harrington also recommended the purchase of 33 different MLIs in Customer A's account for \$9,858,225; 25 of these were sold a short time later for \$6,582,043.

In addition, Harrington engaged in frequent, unsuitable transactions in master limited partnerships (MLPs), generating additional and unwarranted fees. Harrington recommended that Customer A purchase MLPs so that Customer A could receive benefits from holding them long-term. Contrary to this recommendation, Harrington sold the MLPs shortly after purchase. Between September 2014 and March 2015, Harrington recommended purchases of \$1,846,040 of MLPs in Customer A's account, all of which were sold by April 2015.⁴

² These are investment companies that offer investors shares, or "units," in a fixed portfolio of securities in one-time public offerings terminating on a specific maturity date, often after 15 or 24 months. UITs typically have both initial and deferred sales charges and are generally intended to be long-term investments. Merrill required that its representatives consider whether a client had a "long-term buy and hold strategy (more than five years)" before recommending UITs.

³ These are fixed maturity financial products whose interest is determined by the performance of a reference asset or market measure such as an equity or commodity index over the term of the product. MLIs have limited liquidity and significant upfront fees. Merrill considered MLIs to be products generally intended to be held to maturity.

⁴ The firm has made restitution to Customer A.

Therefore, Harrington violated FINRA Rules 2111(a) and 2010.

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

- a nine-month suspension from associating with any FINRA member in all capacities; and
- an \$11,500 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

Respondent understands that if he is barred or suspended from associating with any FINRA member, 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, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

Respondent certifies that he has read and understands 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 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

July 2, 2023

Date

Christopher Harrington, Jr.

Christopher Harrington, Jr.
Respondent

Accepted by FINRA:

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

July 7, 2023

Date

Bruce Sabados

Bruce M. Sabados
Senior Counsel
FINRA
Department of Enforcement
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