

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019061887701**

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

RE: James Alan Schumaker (Respondent)
General Securities Representative
CRD No. 6829407

Pursuant to FINRA Rule 9216, Respondent James Alan Schumaker 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 hereby accepts and consents, without admitting or denying the findings and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Schumaker entered the securities industry in July 2017, through an association with a FINRA member firm. He became associated with Cambridge Investment Research, Inc. in September 2018, where he remained associated until his termination in February 2019. At Cambridge, Schumaker was registered as a GSR at a branch office location in Lafayette, Indiana.

By Form U5 dated March 7, 2019, the Firm disclosed that Schumaker had been terminated due to a “loss of confidence in the registered representative.”

Schumaker is no longer registered or associated with a FINRA member, but he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-Laws.

Respondent does not have any relevant disciplinary history.

OVERVIEW

From September 2018 through February 2019, Schumaker permitted and enabled a former registered representative who had been barred and statutorily disqualified from

the securities industry by FINRA to conduct a securities business. As a result, Schumaker violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the above noted Form U5 filing.

Schumaker's father had been a FINRA registered broker. FINRA barred and statutorily disqualified Schumaker's father from the securities industry in 2014, after he failed to respond to a FINRA inquiry into allegations he converted funds. Schumaker's father did not inform all his customers he had been barred or that he could no longer provide brokerage services.

Beginning in September 2018, Schumaker became the broker of record for his father's former customers. At the time, he knew his father had been barred from the securities industry. Schumaker conducted his Cambridge brokerage business through Schumaker Financial LLC; his father was the President, CEO, and sole owner of Schumaker Financial. From September 2018 through February 2019, Schumaker knew and allowed his father to attend in-person customer meetings to discuss brokerage account strategy, email with customers about their brokerage account statements, maintain an office within Schumaker's Cambridge branch location, and share a phone line with the branch location.

Cambridge conducted two branch office audits and found Schumaker's father on the premises both times, on November 6, 2018 and February 7, 2019. After the first audit, Cambridge warned Schumaker that his father could not be on the premises, use a conference room on the premises, or provide him with any investment advice relating to brokerage accounts. Schumaker confirmed he understood. Nevertheless, when Cambridge performed a second audit in February 2019, it found Schumaker's father on the premises in a meeting with Schumaker and a brokerage customer in the conference room.

FINRA Rule 2010 requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade." Permitting and enabling a barred and statutorily disqualified individual to conduct a securities business constitutes a violation of Rule 2010.

Therefore, Schumaker violated FINRA Rule 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
- a \$5,000 fine

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

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.

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 testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- 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 she 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 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.

February 11, 2021

Date



James Alan Schumaker
Respondent

Reviewed by:

Scott Matasar

Scott Matasar
Counsel for Respondent
Matasar Jacobs LLC
1111 Superior Ave., Suite 1355
Cleveland, OH 44114

Accepted by FINRA:

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

February 18, 2021

Date

Melissa DePetrìs

Melissa K. DePetrìs
Senior Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
New York, NY 10281