

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

Department of Enforcement,

Complainant,

v.

Ronald G. Richer  
CRD No. 2988381,

Respondent.

Disciplinary Proceeding  
No. 2019062014501

Hearing Officer—MC

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: September 1, 2020

**INTRODUCTION**

Disciplinary Proceeding No. 2019062014501 was filed on July 30, 2020, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondent Ronald G. Richer submitted an Offer of Settlement (Offer) to Complainant dated August 27, 2020. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint,<sup>1</sup> and solely for the purposes of this proceeding and any other

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<sup>1</sup> The Complaint was filed on July 30, 2020. On August 4, 2020, the Department of Enforcement moved for leave to substitute the Complaint, which included in the originally filed version a “Complaint Key” identifying a customer, a checking account, and a financial institution. The substituted version submitted on August 4, 2020 omitted the

proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

## **BACKGROUND**

Richer first became registered with FINRA in February 1998 as a General Securities Representative ("GS") and, in March 1999, as a Registered Options Principal ("OP"), through his association with a FINRA member firm. Thereafter, Richer was registered with FINRA through his association with several other FINRA member firms.

In December 2014, Richer became registered with FINRA through Garden State (CRD No. 10083) as a General Securities Principal, GS, Investment Banking Representative and OP. In October 2018, he also registered through Garden State as an Investment Banking Principal.

On May 14, 2020, Garden State filed a Uniform Termination Notice for Securities Industry Registration ("Form U5"), terminating Richer's registration. The Form U5 stated that Richer was "[d]ischarged" and the explanation provided was "[t]aking a loan from a customer without prior firm approval. Apparent alteration of bank records prior to submission to the firm and FINRA."

Although Richer 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 May 14, 2020,

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Complaint Key from the Complaint and was otherwise identical to the version filed on July 30, 2020. Enforcement then filed the Complaint Key separately, also on August 4, 2020. The Office of Hearing Officers granted the motion on August 4, 2020.

which was the effective date of termination of Richer's registration with Garden State, and (2) the Complaint charges him with misconduct committed while he was registered with a FINRA member.

## **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

### **SUMMARY**

In September 2016, while registered with FINRA through Garden State Securities, Inc., Richer borrowed \$15,000 from a senior customer ("Customer A") without providing prior notice to, and receiving written approval from, the firm. As a result of the foregoing, Richer violated FINRA Rules 3240 and 2010.

Richer concealed the loan from Garden State and falsely stated on four annual compliance questionnaires that he had not borrowed money from a customer, in violation of FINRA Rule 2010.

Richer also attempted to conceal his misconduct from FINRA. As part of its investigation in 2020 into whether Richer accepted a loan from Customer A, FINRA requested, pursuant to FINRA Rule 8210, that Richer provide copies of his bank account statements. Richer provided the requested bank statements, but only after he altered check images that were part of those statements. Specifically, Richer altered eight check images to disguise the fact that he wrote those checks payable to Customer A by making it appear that they were made payable to other individuals.

Richer then testified falsely at his on-the-record ("OTR") interview taken pursuant to FINRA Rule 8210. Richer denied altering any of the records that he produced to FINRA and denied accepting money from a firm customer. Only after he was confronted with the evidence

of his misconduct later in the same OTR did he admit to altering the check images and to accepting a loan from Customer A. By providing altered documents to FINRA and testifying falsely to FINRA in response to requests for information and testimony issued pursuant to FINRA Rule 8210, Richer violated FINRA Rules 8210 and 2010.

## **FACTS**

### ***Richer Borrows Money from Customer A***

On or around August 31, 2016, Richer entered into an agreement with Customer A, who was then 74 years old, to borrow \$15,000 (the “Loan”). At the time of the Loan, Customer A was Richer’s customer at Garden State.

The Loan was memorialized in an August 31, 2016 written promissory note (the “Promissory Note”) that Richer signed. The Promissory Note set forth an annual interest rate of 10 percent and stated that Richer was to begin making monthly interest-only installment payments to Customer A on November 22, 2016.

Pursuant to the Promissory Note, Customer A wrote Richer a check dated September 1, 2016 for \$15,000.

Garden State’s written supervisory procedures in effect at the time prohibited registered representatives from borrowing money from their customers, except in limited circumstances, without obtaining prior written approval from the firm’s chief compliance officer (“CCO”).

The Loan did not fall within any of the limited circumstances excusing representatives from obtaining the CCO’s advance written approval.

Richer did not seek approval from Garden State’s CCO before accepting the Loan nor did he disclose the Loan to Garden State at any time during his employment.

Additionally, Richer affirmatively concealed the Loan by providing false responses on at

least four Garden State annual compliance questionnaires—dated December 16, 2016, December 28, 2017, December 17, 2018, and January 15, 2020. In each questionnaire, Richer answered “no” to the question “[h]ave you engaged in any activity that is or may be interpreted as borrowing from a customer even if the borrowing was only for a short period of time.”

Richer’s answer to this question on each of the annual compliance questionnaires was false because on or around September 1, 2016, Richer borrowed \$15,000 from Customer A.

Customer A died in December 2019.

To date, Richer has not repaid a significant portion of the Loan.

***Richer Provides Altered Documents in Response to a FINRA Rule 8210 Request***

On January 29, 2020, as part of its investigation into whether Richer borrowed money from Customer A, FINRA staff requested, pursuant to FINRA Rule 8210, that Richer provide, among other things: (i) a list of bank accounts in which Richer had a financial interest; (ii) corresponding monthly bank account statements; and (iii) a written statement concerning whether Richer had ever received payments of money or materials of value from a customer (the “January 29 Request”).

On February 19, 2020, Richer provided, among other things, account statements for some (but not all) of his bank accounts, including statements for his Checking Account 1, which he maintained at Financial Institution A.

Checking Account 1 was the account from which Richer wrote the eight checks to Customer A in partial repayment of the Loan.

Each of Richer’s monthly account statements from Checking Account 1 included images of all checks cashed during the month.

Before providing the bank account statements for Checking Account 1 to FINRA, Richer

altered the images of the checks he wrote to Customer A. Specifically, he printed the bank account statements with the check images and manually cut and pasted the check images to disguise the fact he made payments to Customer A. He then scanned the altered bank account statements and check images and provided them to FINRA staff (through his firm).

***Richer Provides False OTR Testimony Pursuant to FINRA Rule 8210***

On May 12, 2020, Richer appeared for and provided OTR testimony pursuant to FINRA Rule 8210.

During the testimony, Richer falsely testified that he did not alter any of the bank account statements that he provided to FINRA.

Richer also falsely testified that he had never received a payment of cash or any items of value from a customer who was not a member of his family.

Later during the OTR testimony, after being confronted with the unaltered check images, Richer admitted to borrowing \$15,000 from Customer A and concealing the Loan from his firm.

Richer also admitted during his OTR testimony to performing a “cut and paste” on paper copies of his bank account statements in order to change the name of the payee on the checks from Customer A to other individuals who were not customers of the firm.

The information requested was material to FINRA’s investigation into whether Richer had borrowed money from a senior customer without complying with the firm’s policies and procedures.

**FIRST CAUSE OF ACTION**  
**Providing False Documents in Response to Requests Pursuant to FINRA Rule 8210**  
**(Violation of FINRA Rules 8210 and 2010)**

FINRA Rule 8210 authorizes FINRA staff, “[f]or the purpose of an investigation,” to:

[R]equire . . . any other person subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically . . . and 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.

FINRA Rule 8210(c) provides that, “[n]o member or person shall fail to provide information . . . pursuant to this Rule.”

FINRA Rule 2010 states, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

A violation of FINRA Rule 8210 is also a violation of FINRA Rule 2010.

Providing false, altered, and fabricated responses to FINRA staff is a violation of FINRA Rule 8210 and is also a violation of FINRA Rule 2010.

In connection with FINRA’s investigation into the Loan, FINRA requested, pursuant to Rule 8210, that Richer provide, among other things, bank statements for the period June 1, 2016 through December 31, 2019, for all bank accounts in which he held a financial interest.

On February 19, 2020, in response to FINRA’s request, Richer provided altered and fabricated documents to FINRA. Specifically, Richer altered eight check images on statements for Checking Account 1 prior to providing them to FINRA staff in order to disguise his loan repayments to Customer A.

As a result of the foregoing, Richer violated FINRA Rules 8210 and 2010

**SECOND CAUSE OF ACTION**  
**Providing False Testimony Requested Pursuant to FINRA Rule 8210**  
**(Violation of FINRA Rules 8210 and 2010)**

Providing false testimony during an OTR taken pursuant to FINRA Rule 8210 is a violation of FINRA Rule 8210 and also is a violation of FINRA Rule 2010.

On May 12, 2020, Richer provided false OTR testimony in response to a request issued pursuant to FINRA Rule 8210. Richer falsely testified that he did not alter his bank account statements prior to producing them to FINRA in response to FINRA's January 29 Request.

Richer also falsely testified that he had never accepted any payments or items of value from a customer who was not a member of his family.

This testimony was false. Richer borrowed money from Customer A. He also altered his bank account statements to disguise repayments of the money he borrowed from Customer A prior to providing the bank statements to FINRA.

As a result of the foregoing, Richer violated FINRA Rules 8210 and 2010.

**THIRD CAUSE OF ACTION  
Borrowing From a Customer  
(Violation of FINRA Rules 3240 and 2010)**

FINRA Rule 3240 prohibits a registered person from borrowing or lending money to or from a customer unless: (1) the registered person's FINRA-member firm has written procedures permitting the borrowing and lending of money between registered persons and customers of the firm; and (2) the borrowing or lending arrangement meets at least one of five conditions specified in the rule.

A violation of FINRA Rule 3240 is also a violation of FINRA Rule 2010.

The Loan did not meet any of the five conditions specified by FINRA Rule 3240.

At the time Richer borrowed money from Customer A on or around September 1, 2016, he was registered with FINRA through Garden State.

Garden State's written supervisory procedures in place at the time of the Loan permitted loans between representatives and customers in limited circumstances. However, in all instances other than when the loan was to or from a member of the representative's immediate family or

the customer was in the business of lending money, the representative was required to notify the firm's CCO and receive written pre-approval before entering into any loan arrangement.

Customer A was not part of Richer's immediate family, and Customer A was not in the business of providing loans or credit.

Richer never notified the firm nor sought pre-approval from anyone at Garden State prior to accepting the Loan from Customer A.

As a result of the foregoing, Richer violated FINRA Rules 3240 and 2010.

**FOURTH CAUSE OF ACTION  
False Attestation on Firm's Annual Compliance Questionnaire  
(Violation of FINRA Rule 2010)**

FINRA Rule 2010 states, "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

Each of Garden State's annual compliance questionnaires for the years 2016 through 2020 asked Richer whether he had ever "engaged in any activity that is or may be interpreted as borrowing from a customer, even if the borrowing was only for a short period of time."

For each of those years, in response to this question, Richer answered "no."

Richer's answers to this question were false because at the time he submitted each of the four annual compliance questionnaires he had already accepted the Loan.

Richer knowingly provided false answers to this question in order to hide the existence of the Loan from Garden State.

As a result of the foregoing, Richer violated FINRA Rule 2010.

Based on the foregoing, Respondent violated FINRA Rules 3240, 8210, and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future

misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

### **SANCTIONS**

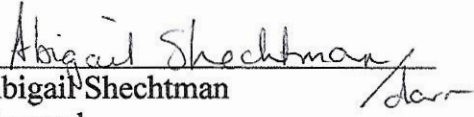
It is ordered that Respondent be barred from association with any FINRA member firm in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

  
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