

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

Department of Enforcement,

Complainant,

v.

Chams Khwaja
CRD No. 6906622,

Respondent.

Disciplinary Proceeding
No. 2019063626701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Chams Khwaja failed to provide information and documents that FINRA Staff had requested pursuant to FINRA Rule 8210. As a result, Khwaja violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

2. From February 7, 2018 through April 27, 2018, Khwaja was registered with FINRA as a General Securities Representative through an association with Worden Capital Management LLC (CRD No. 148366) (the “Firm”). On April 27, 2018, the Firm filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”), disclosing that Khwaja voluntarily terminated his registration with the Firm.

3. Although Khwaja 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 April 27, 2018, which was the effective date of termination of Khwaja’s registration with the Firm, and

(2) the Complaint charges Khwaja with failing to respond to FINRA requests for information during the two-year period after the date on which he ceased to be registered or associated with a FINRA member.

FACTS

4. In approximately August 2019, FINRA opened an investigation of Representative A, an individual registered with FINRA. During its investigation, FINRA Staff identified evidence that Representative A had failed to provide his firm with prior written notice of multiple outside business activities, including activities involving Company 1 and Company 2. Specifically, FINRA Staff identified evidence that Representative A may have been affiliated with Company 1 and that Company 1 was the subject of an investigation.

5. FINRA Staff took on-the-record testimony from Representative A on January 9, 2020. During that testimony, Representative A testified that Company 1 and Company 2 operated out of the same office space that Representative A used to conduct his securities business. Representative A further testified that Khwaja, to whom he was related, also worked out of the same office space as Representative A, Company 1, and Company 2, and that Khwaja had conducted business activities through Companies 1 and 2. Khwaja did not disclose any outside business activities to the Firm, including any activities involving Company 1 or Company 2, which was incorporated shortly before Khwaja terminated his registration with the Firm.

CAUSE OF ACTION

Failure to Provide Information and Documents
(FINRA Rules 8210 and 2010)

6. The Department of Enforcement realleges and incorporates all previous paragraphs.

7. FINRA Rule 8210(a)(1) provides that FINRA Staff may “require a . . . person subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in [an] investigation.”

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

9. FINRA Rule 2010 requires persons associated with a FINRA member to “observe high standards of commercial honor and just and equitable principles of trade.”

10. Failing to provide information and documents requested pursuant to FINRA Rule 8210 is a violation of FINRA Rules 8210 and 2010.

11. On January 15, 2020, FINRA Staff sent Khwaja a letter pursuant to FINRA Rule 8210 requesting that he provide information and documents in connection with FINRA’s investigation (the “January 15 Request”), including, but not limited to, a description of the business purposes of Companies 1 and 2, and of Khwaja’s role with each company.

12. FINRA Staff sent the January 15 Request by first class U.S. Mail and first class certified mail, return receipt requested, to Khwaja’s residential address of record listed in FINRA’s Central Registration Depository (“CRD”) (the “CRD Address”).

13. Khwaja’s response to the January 15 Request was due on or before January 22, 2020.

14. The copies of the January 15 Request that were sent to Khwaja by first class U.S. mail and first class certified mail were not returned to FINRA.

15. Khwaja did not provide any information or documents to FINRA Staff in response to the January 15 Request, or contact FINRA Staff in any way, on or before January 22, 2020.

16. On January 24, 2020, FINRA Staff sent Khwaja a second letter pursuant to FINRA Rule 8210, requesting that Khwaja provide the identical information and documents requested in the January 15 Request in connection with FINRA's investigation (the "January 24 Request"). FINRA Staff sent the January 24 Request by first class U.S. Mail and first class certified mail, return receipt requested, to the CRD Address.

17. Khwaja's response to the January 24 Request was due on or before January 31, 2020.

18. The copy of the January 24 Request that FINRA Staff sent to the CRD Address by first class U.S. Mail was not returned to FINRA.

19. The copy of the January 24 Request that FINRA Staff sent to the CRD Address by first class certified mail was returned to FINRA marked "Return to Sender / Refused / Unable to Forward / Return to Sender." However, the certified mail receipt for that letter, which was still attached to the envelope containing the January 24 Request, had been signed, and the envelope appeared to have been opened prior to being returned to FINRA Staff. Although the signature on the certified mail receipt was illegible, the last name appears to start with a "K."

20. Khwaja did not provide any information or documents to FINRA Staff in response to the January 24 Request on or before January 31, 2020.

21. Although Khwaja was properly served with the January 15 and January 24 Requests, Khwaja has not provided any information or documents in response to those requests as of the date of the filing of this Complaint.

22. The January 15 and January 24 Requests sought information and documents that were material to FINRA's investigation. The requested information and documents were necessary to determining the business purposes of Companies 1 and 2 and Khwaja's role with

Companies 1 and 2, and were material to determining whether Khwaja and Representative A were involved in undisclosed outside business activities while registered with FINRA. The requested information and documents also would have been material in evaluating the credibility of Representative A's claims that he was not involved with Companies 1 and 2.

23. By failing to produce information and documents requested pursuant to FINRA Rule 8210, Khwaja violated FINRA Rules 8210 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 violation 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 Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 04/01/2020



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