

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2019063788401**

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

RE: Beth L. Klein Friedman (Respondent)  
Former General Securities Representative  
CRD No. 1432633

Pursuant to FINRA Rule 9216, Respondent Beth L. Klein Friedman 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**

Respondent first registered with FINRA in July 2001. She registered as a general securities representative in February 2007 and joined Janney Montgomery Scott LLC (Janney), a FINRA regulated broker-dealer, in that capacity in October 2014. On September 3, 2019, Janney filed a Uniform Termination Notice of Securities Industry Registration (Form U5), which the firm amended on October 28, 2019, stating that Respondent had been discharged for “[v]iolation of company policy regarding serving as a fiduciary.” Respondent is not currently associated with any FINRA-regulated broker-dealer, but 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**

Between December 2015 and November 2017, Friedman circumvented Janney’s procedures that prohibited registered representatives from being named as a beneficiary of the estate of any customer outside of the representative’s immediate family. Specifically, Friedman became aware that she had been named as a beneficiary of two elderly customers to whom she was not related, but she did not provide notice to Janney.

In addition, Friedman falsely stated on a 2016 firm compliance questionnaire that she had not been named as any customer's beneficiary. Friedman also failed to disclose that she had also been appointed the customers' successor trustee, even though the questionnaire required disclosure of such appointments. After the firm discovered Friedman's roles and the customers closed their Janney account during 2018, Friedman subsequently circumvented Janney policies prohibiting representatives from serving as a fiduciary for any third party who was not a member of the representative's immediate family. Specifically, in December 2018, Friedman accepted appointment as power of attorney and trustee for one of these former customers. Although the firm instructed her to relinquish the roles and she informed the firm that she would do so, Friedman continued to serve as power of attorney and trustee without notifying the firm, through August 2019. By virtue of the foregoing, Friedman violated FINRA Rule 2010.

### **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade." Circumventing the firm's supervisory system and procedures and making misrepresentations to the firm, thereby compromising the firm's ability to supervise the representative, reflects directly on the representative's ability to comply with these obligations and is inconsistent with the high standards of commercial honor and just and equitable principles of trade required by FINRA Rule 2010.

Janney's policies prohibited employees from being named as a beneficiary of the estate of any customer who was not an immediate family member. Janney also required employees to immediately notify the firm if they became aware that they were named as a beneficiary of a customer.

On December 7, 2015, Janney customers A and B, a married couple who were not members of Friedman's family, designated Friedman as a beneficiary of their trust and as one of their successor trustees. On that same day, Friedman became aware that the customers had named her as a beneficiary and successor trustee. However, Friedman did not notify the firm that she had been named as a beneficiary.

In addition, Friedman falsely stated on Janney's annual compliance questionnaire for 2016 that she had not been named as any customer's beneficiary.

Janney's 2016 annual compliance questionnaire also asked representatives to confirm that they had identified any appointments as a successor trustee. However, rather than disclosing her appointment as successor trustee for A and B, Friedman falsely stated on the 2016 questionnaire that the firm's list of her appointments was complete, even though the list did not include her appointment as successor trustee for A and B.

During November 2017, Janney discovered that the customers' trust designated Friedman as a beneficiary and a successor trustee. Janney informed Friedman that she must either be removed from the trust as a beneficiary or resign from the firm. On February 21, 2018, Friedman signed a Letter of Education that Janney issued to her, which stated that

Friedman's beneficiary status was a conflict of interest and that Friedman had decided to be removed from the trust as a beneficiary.

By April 2018, with Friedman's assistance, A and B closed their Janney account and transferred their assets to a new account at a different firm, such that A and B were no longer Janney customers. Therefore, Janney's policy prohibiting Friedman from being named as a customer's beneficiary no longer precluded her from being a beneficiary of A and B, and Friedman remained their beneficiary.

However, Janney's policies also prohibited employees from serving as a fiduciary, including as a power of attorney or trustee, for any third party who was not an immediate family member, whether or not the third party was a customer of the firm.

On December 20, 2018, after A passed away, Friedman accepted fiduciary appointments as a power of attorney and trustee for B. On that same day, the firm informed Friedman that she must either relinquish these fiduciary roles or resign her employment with Janney. Friedman immediately informed the firm that she would relinquish her fiduciary roles, rather than resigning her employment.

However, despite this agreement, Friedman subsequently continued to serve as a power of attorney and trustee for B, while remaining employed with Janney. In March 2019, Friedman submitted a request to the firm's compliance group, seeking reconsideration of the firm's position that she could not remain employed by Janney while serving in her fiduciary roles. However, the firm denied her request. Friedman nevertheless continued to serve in those roles while employed at Janney, without disclosing those continued roles to the firm, until August 2019.<sup>1</sup>

By virtue of this misconduct, Respondent violated FINRA Rule 2010.

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

- a three-month suspension from associating with any FINRA member in any capacity and
- a \$5,000 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.

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<sup>1</sup> To date, Friedman has not obtained any payments from A or B for her service as a fiduciary and has not received any inheritance from their estate.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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, she 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 her;
- 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

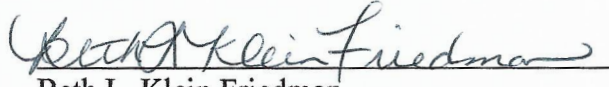
Respondent understands that:

- 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 she 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 her 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 her to submit this AWC.

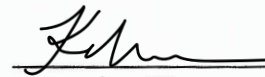
12-6-2020  
Date

  
Beth L. Klein Friedman  
Respondent

Accepted by FINRA:

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

12/22/2020  
Date

  
Katherine Wyman  
Principal Counsel  
FINRA  
Department of Enforcement  
200 Liberty Street  
New York, New York 10281-1003