

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

TRAVIS SCOTT HUGHES
CRD No. 7136761,

Respondent.

Disciplinary Proceeding
No. 2019064416201

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. On October 11, 2019, Travis Scott Hughes cheated on the Series 79 qualification examination. Prior to arriving at the test center, Hughes hid personal notes in his shorts. During the exam, Hughes removed the notes and repeatedly reviewed them. He did so after acknowledging and agreeing to follow FINRA's Qualification Examinations Rules of Conduct for the exam, which prominently forbade possessing or using notes and study materials during the qualification exam.

2. By cheating on, and by possessing prohibited notes during the exam, Hughes violated FINRA Rules 1210.05 and violated FINRA Rule 2010, independently and by virtue of having violated FINRA Rule 1210.05.

RESPONDENT AND JURISDICTION

3. Hughes associated with Houlihan Lokey Capital, Inc. in June 2019 when he began working as an analyst in the firm's financial restructuring group. Several weeks later, on July 3,

2019, Hughes submitted a Form U4 to become registered through Houlihan Lokey. Houlihan Lokey terminated Hughes on November 1, 2019.

4. Although Hughes was never registered and is no longer 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 November 1, 2019, which was the date on which he ceased to be associated with a FINRA member, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FACTS

5. The Series 79 exam is designed to qualify candidates to serve as investment banking representatives and measures the degree to which each candidate possesses the knowledge needed to perform the critical functions of that position.

6. The Series 79 exam comprises 75 multiple-choice questions, plus ten unscored questions. To pass the exam, candidates must receive a score of 73. Candidates have 2.5 hours to complete the exam. The Series 79 exam is closed-book; no study materials are permitted.

7. Candidates taking the Series 79 exam are required to agree to abide by FINRA's Rules of Conduct for the exam.

8. In May 2019, Hughes accepted an offer of employment as a Financial Analyst in the Financial Restructuring Group in Houlihan Lokey's Houston, Texas office. Hughes' offer required him to pass the Series 79 exam within four months of his June 2019 start date.

9. Hughes took but did not pass the Series 79 exam in August and September 2019, each time receiving a score of 61.

10. In September 2019, Hughes scheduled an appointment to take the exam a third time at a test center in Houston on October 11, 2019.

11. On September 13, 2019, Hughes received an email from the test center confirming his appointment. The email reminded him of certain examination rules and provided a link to the Rules of Conduct for the exam. In relevant part, the email stated:

You must attest to FINRA's [Rules of Conduct], which prohibit the use of, or access to, study materials . . . at any time during the test appointment. . . . Any violation of the [Rules of Conduct] will subject you to possible disciplinary action by FINRA, another self-regulatory organization, or the Securities and Exchange Commission. Please review the appropriate [Rules of Conduct] to prepare for your appointment at www.finra.org/industry/exam-day.

12. On October 8, 2019, three days before the exam, Hughes received an email reminder of his appointment that included the same warnings and the same reference to the Rules of Conduct.

13. On October 11, 2019, Hughes arrived at the test center shortly before 8:00 a.m. When he entered the test center, Hughes was reminded by a test center administrator that personal notes and study aids were not permitted in the test room. Shortly thereafter, Hughes began the sign-in and security check-in process and was provided with two dry-erase boards and dry-erase pens for use during the exam.

14. Hughes entered the test room and was seated at a computer terminal.

15. Hughes was required to agree to the Rules of Conduct before starting his exam. The first Rule of Conduct was that "[f]or the duration of my examination, I will not use or attempt to use any personal items, such as . . . Personal Notes and Study Materials." The second Rule was that "I will store all personal items in the locker provided by the test vendor prior to entering the test room."

16. Hughes agreed to the Rules of Conduct by clicking on the “Agree” button at the bottom of the screen on which they were displayed.

17. In the same manner, Hughes acknowledged that if he did not follow the Rules of Conduct, he could be subject to disciplinary action by FINRA and barred from employment or association with the financial services industry.

18. After Hughes agreed to the Rules of Conduct and acknowledged the possible consequences for failure to comply, he began taking the Series 79 exam.

19. Shortly after beginning the exam, Hughes removed two sheets of paper—one from each leg of his shorts—and hid them under the dry-erase boards on his desk. One sheet contained handwritten notes of formulas, valuation metrics, and ratios. The other sheet was a printed “cheat-sheet” or “quick reference guide” of SEC rules and regulations. Both contained information that was relevant to the Series 79 exam.

20. For approximately the first 50 minutes of the exam, Hughes repeatedly reviewed both sheets of paper.

21. At approximately 9:00 a.m., a test center administrator seized Hughes’s handwritten notes from beneath a dry-erase board at Hughes’s test station and directed Hughes to speak with her in the reception area of the test center.

22. Hughes did not reveal that he had a second sheet under his other dry-erase board. Instead, before leaving his test station, he quickly removed the second sheet and concealed it in his shorts.

23. After a brief discussion with the test administrator outside the testing area—during which Hughes asked not to be reported—Hughes was allowed to resume the exam.

24. About one hour later, Hughes took an unscheduled break. Before re-entering the test area, Hughes had another discussion with test center administrators and then surrendered the second sheet of paper from his shorts.

25. Hughes was allowed to complete the exam but narrowly missed passing, receiving a score of 72.

FIRST CAUSE OF ACTION
Cheating on, and Possessing Unauthorized Materials
During, a Qualification Examination
(FINRA Rules 1210.05 and 2010)

26. The Department of Enforcement re-alleges and incorporates by reference all prior paragraphs.

27. FINRA Rule 1210.05 provides that an associated person taking a representative examination is subject to the Rules of Conduct. FINRA Rule 1210.05 further provides that “[a]n applicant cannot receive assistance while taking the examination” and an associated person who violates the Rules of Conduct is deemed to have violated FINRA Rule 2010.

28. FINRA Rule 2010, which requires associated persons to “observe high standards of commercial honor,” prohibits possessing or consulting study materials or personal notes during a qualification examination.

29. By possessing personal notes and study materials while he took the Series 79 exam in October 2019, Hughes violated FINRA Rules 1210.05 and violated FINRA Rule 2010, independently and by virtue of having violated FINRA Rule 1210.05.

30. By consulting personal notes and study materials while he took the Series 79 exam in October 2019, Hughes violated FINRA Rules 1210.05 and violated FINRA Rule 2010, independently and by virtue of having violated FINRA Rule 1210.05.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Hughes committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed; and
- C. order that Hughes bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: July 23, 2020



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