

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019064511202**

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

RE: Dana H. Davis (Respondent)
General Securities Representative
CRD No. 1707708

Pursuant to FINRA Rule 9216, Respondent Dana H. Davis 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Davis first became registered with FINRA in May 1989. Davis was registered through Newbridge Securities Corporation (CRD No. 104065) as a General Securities Representative, General Securities Principal, and Registered Options Principal from September 2006 to October 2022. From October 2022 to March 2023, Davis was registered with FINRA through another FINRA member firm. Although Davis is not currently associated with a FINRA member, FINRA retains jurisdiction over him pursuant to Article V, Section 4, of FINRA's By-Laws.

Davis was named in two customer arbitrations in 2018 and one in 2021, all of which resulted in settlements to which Davis contributed. Generally, the complaints alleged sales practice violations including unsuitability.¹

OVERVIEW

Between July 2015 and June 2020, while he was associated with Newbridge, Davis recommended unsuitable use of margin to effect trades in the accounts of three customers. Davis's unsuitable recommendations caused the customers to pay more than \$150,000 in commissions, fees, and margin interest. By this conduct, Davis violated FINRA Rules 2111 and 2010.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111 requires that a member or an associated person have a reasonable basis to believe that a recommended transaction is suitable for the customer based on the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance and any other information the customer may disclose to the member or associated person in connection with a recommendation.

A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010, which requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

A margin account is a type of brokerage account in which a broker-dealer lends an investor cash, using the account as collateral, to purchase securities. Margin increases an investor's purchasing power, but also exposes the investor to certain risks involved in trading securities on margin, including the potential to lose more money than they invested. Buying on margin also carries a cost, which is the interest charged on the amount borrowed until it is repaid. When an investor buys securities on margin, they must repay the amount borrowed plus interest, even if they lose money on the securities they purchased on margin. The margin balance is the amount of money a customer trading on margin owes to the broker-dealer. The investor's equity in a margin account is the value of securities less the amount owed to the firm.

A firm may issue a margin call when the investor's equity in a margin account falls below the firm's required percentage. When a margin call occurs, the investor must either deposit additional funds or marginable securities in the account or sell some of the securities in their account.

Davis recommended the unsuitable use of margin in three customers' accounts.

During the relevant period, Davis recommended the unsuitable use of margin in the accounts of customers who were not experienced or sophisticated investors and did not understand margin. Nevertheless, Davis recommended the extensive use of margin in his customers' accounts to leverage additional buying power while charging commissions on both buy and sell transactions. The margined positions often experienced realized losses, including as a result of margin calls, and incurred trading costs and margin interest charges. Davis's recommendations to engage in unsuitable trading on margin exposed his customers to significant risk, increased costs, and sizeable losses in their accounts. He lacked a reasonable basis to believe that using margin in this way was suitable given the customers' investment objectives, financial situation, and needs.

Customer A

Customer A is a 62-year-old pastor in South Carolina. Customer A opened an account at Newbridge with Davis as his broker in May 2017 for the purpose of funding his retirement. Customer A is not an experienced investor, and he did not understand margin. Customer A's new account documentation indicated that he had no prior experience using margin. Customer A followed Davis's recommendations for trading in his account. His annual income was derived from offerings he received from preaching. During the period May 2017 to June 2020, the month-end average equity in Customer A's account was \$132,097.12. During the same period, the account had realized trading losses of \$93,676.24.

From May 2017 to June 2020, Davis entered 457 trades in Customer A's account, and 447 were done on margin. During this period, Customer A's month-end margin balance was 50% or more of the total gross portfolio value in his account for 20 months. During nine of those months, the margin balance was 60% or more of the gross portfolio balance. Customer A's account had 31 margin calls, 21 of which caused sellouts of securities at losses. In February 2018, Davis was notified by Newbridge's compliance department that Customer A's account had a "[h]igh margin balance" but Davis failed to take steps to decrease Customer A's margin balance. Between May 2017 and June 2020, Customer A paid \$110,925.25 in costs, commissions, and margin interest for trades executed on margin in his account.

Customer B

Customer B is a 38-year-old police officer and social media influencer living in New York. In July 2015, Customer B opened a business account related to her social media business and a personal IRA account at Newbridge with Davis. Customer B had no investment experience prior to opening the accounts at Newbridge and she did not understand margin. Customer B followed Davis's recommendations for trading in her business account. During the period July 2015 to June 2020, the month-end average equity in Customer B's business account was \$19,802.50. During the same period, the account had realized trading losses of \$14,340.58.

From July 2015 through June 2020, Davis entered 249 trades in Customer B's business account, and all were done on margin. During this period, Customer B's month-end margin balance was 50% or more of the total gross portfolio value in her account for 34 months. Customer B's account had 25 margin calls, seven of which resulted in sellouts of securities at losses. Customer B paid \$33,231.98 in costs, commissions, and margin interest for trades executed on margin in her account.

Customer C

Customer C is a 47-year-old pastor in New York. Customer C opened his account at Newbridge with Davis in January 2018 to diversify some of his holdings. Customer C's stated goal for the Newbridge account was to maintain a conservative investment strategy. Customer C is not a knowledgeable or experienced investor. Customer C did not understand margin and he followed Davis's recommendations for trading in his account. During the period January 2018 to June 2020, the month-end average equity of Customer C's Newbridge account was \$8,943.47.

Out of the 31 trades that Davis entered in Customer C's account from January 2018 to June 2020, 28 were done on margin. Customer C's month-end margin balance was 50% or more of the total gross portfolio value in his account during eight months. Customer C's account had six margin calls, four of which resulted in sellouts of securities at losses. Customer C paid \$5,909.92 in costs, commissions, and margin interest for trades executed on margin in his account.

By recommending unsuitable use of margin in three customer accounts, Davis violated FINRA Rules 2111 and 2010.

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

- a 12-month suspension from associating with any FINRA member in all capacities; and
- partial restitution of \$75,000.

Respondent has submitted a statement of financial condition and demonstrated a limited ability to pay. In light of Respondent's financial status, the sanctions do not include a monetary fine.

Partial restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$75,000.

Restitution ordered pursuant to this disciplinary action is due and payable immediately upon reassociation with a member firm or upon submission of any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent shall submit satisfactory proof of payment of restitution (separately specifying the date and amount paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date the restitution is due and payable.

The restitution amount to be paid to each Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 120 days after the restitution is due and payable, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

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.

The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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.

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 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- 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 he 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 understands and acknowledges that FINRA does not represent or advise him 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 him to submit this AWC.

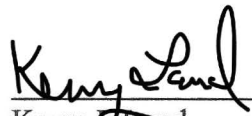
March 15 2023
Date


Dana H. Davis
Respondent

Accepted by FINRA:

March 31, 2023
Date

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


Kerry Land
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street
New York, NY 10281

Attachment A
To Letter of Acceptance, Waiver and Consent
***Dana H. Davis*, FINRA Matter No. 2019064511202**

Customer	Restitution
Customer A	\$55,437.81
Customer B	\$16,608.55
Customer C	\$2,953.64

Total: \$75,000