

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065297001**

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

RE: William Henry Weisbrod (Respondent)
Former General Securities Representative
CRD No. 812664

Pursuant to FINRA Rule 9216, Respondent William Henry Weisbrod 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

Weisbrod entered the securities industry in 1980 when he became registered as a General Securities Representative (GSR) through an association with a FINRA member. After leaving that firm in November 1998, Weisbrod was registered as a GSR through associations with two different FINRA members between approximately November 1998 and January 2009. In April 2009, Weisbrod became registered as a GSR through an association with FINRA member Purshe Kaplan Sterling Investments, Inc. (PKS). Weisbrod was associated with PKS from April 2009 until February 2021, when PKS filed a Form U5 reporting that Weisbrod had voluntarily terminated his association with the firm.

On August 31, 2021, PKS filed an amended Form U5 for Weisbrod disclosing that he was the subject of an arbitration alleging, among other things, that he breached fiduciary duties owed to a community bank that was a customer of PKS.

Although Weisbrod is not currently registered or associated with a FINRA member, FINRA retains jurisdiction over him pursuant to Article V, Section 4 of the FINRA By-Laws.

Weisbrod has been the subject of prior disciplinary actions. In January 2009, FINRA issued an AWC finding that Weisbrod recommended unsuitable transactions in a customer's account involving the purchase of approximately \$2 million of Class B

mutual fund shares in 12 similar mutual funds. For this conduct, Weisbrod consented to sanctions consisting of a two-month suspension in all capacities and a \$33,500 fine, of which \$23,500 constituted disgorgement of his commissions.

In March 2021, in connection with the facts at issue in this AWC, the Federal Deposit Insurance Corporation issued an order prohibiting Weisbrod from participating in the affairs of any federally insured depository institution based upon findings that he “participated in a rapid asset-growth strategy for [a bank], without effective planning, adequate risk-reporting, and policy guidelines in place.”¹

OVERVIEW

From August 2013 through October 2017, Weisbrod breached fiduciary duties owed to a community bank for which Weisbrod served as an advisory director and consultant. The bank was a PKS customer and relied upon Weisbrod’s investment knowledge and experience to determine its investment strategy. As such, Weisbrod owed the bank fiduciary duties of care and loyalty. Weisbrod breached his fiduciary duties to the bank by directing it to engage in an investment strategy that generated revenue for Weisbrod but exposed the bank to excessive risk and unnecessary trading costs.

At Weisbrod’s recommendation, the bank opened brokerage accounts at PKS with a registered representative who worked in the same office as Weisbrod. Although Weisbrod represented to PKS that he would not be involved with the bank’s investments through PKS, Weisbrod directed the trading in the bank’s accounts. Weisbrod recommended that the bank engage in a risky trading strategy involving hundreds of fixed-income securities purchased through PKS. Weisbrod’s trading generated over \$1 million in commissions for the PKS registered representative assigned to the bank’s accounts, who directed more than \$370,000 of these commissions to Weisbrod, through a series of payments that Weisbrod did not disclose to the bank.

Weisbrod recommended that the bank trade through PKS even though PKS lacked a fixed-income trading desk. Because PKS lacked a fixed-income trading desk, it had to use a third-party “broker’s broker” to acquire fixed-income securities for the bank, which caused the bank to pay approximately \$1.25 million in additional markups to the broker’s broker. Weisbrod did not disclose these markups to the bank. As a result of Weisbrod’s trading strategy, the bank spent more than \$600,000 to remediate the risk of its investment portfolio.

By breaching his fiduciary duties to the bank, Weisbrod violated FINRA Rule 2010.

In addition, Weisbrod violated FINRA Rule 2010 by falsely representing to PKS that he was not involved with the bank’s investments through PKS in connection with the firm’s inquiry into his outside business activities involving the bank.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from a tip made to FINRA.

Weisbrod breached fiduciary duties owed to the bank, a firm customer.

FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Breaching a fiduciary duty owed to a firm customer violates FINRA Rule 2010.

The bank was a community bank based in New Jersey. Weisbrod became affiliated with the bank in 1980, when he joined the bank's board of directors. Beginning in 2007, Weisbrod served as an advisory member of the bank's board of directors, and in September 2015, he became a consultant to the board. In those roles, Weisbrod attended all meetings of the bank's board and investment committee, which made decisions regarding the bank's purchases and sales of securities for its investment portfolio.

In his roles with the bank, Weisbrod recommended specific investment strategies and securities to the bank's board, consisting primarily of investments in fixed-income securities, such as corporate bonds, municipal bonds, and collateralized mortgage obligations. The bank's directors relied upon Weisbrod's knowledge and expertise to make investment decisions for the bank. As result of the trust and confidence placed in him by the bank, Weisbrod owed the bank fiduciary duties of care and loyalty and therefore was prohibited from using his role with the bank for personal advantage.

In August 2013, at Weisbrod's recommendation, the bank opened brokerage accounts with a registered representative at PKS, with whom Weisbrod shared office space. At the time, the other registered representative had fewer than two years of experience in the securities industry and had no significant clients or experience with fixed-income securities. To avoid an apparent conflict of interest, Weisbrod was not authorized to place securities orders for the bank and represented to PKS that he would not be involved in the bank's investments through the firm. In reality, however, Weisbrod directed virtually all trading in the bank's PKS accounts.

Contrary to the fiduciary duties he owed to the bank, Weisbrod used his influence over the bank's investment decisions to benefit himself at the bank's expense. During the relevant period, nearly two thirds of the bank's trades were carried out through PKS, which generated more than \$1 million in commissions to PKS. Because PKS lacked its own fixed income trading desk, PKS was frequently required to use a "broker's broker" to acquire fixed-income securities for the bank. This resulted in the bank paying markups to the broker's broker in addition to commissions to PKS. During the relevant period, the bank paid approximately \$1.25 million in undisclosed markups to the broker's broker, even though the bank had accounts with other broker-dealers that did not need broker's brokers.



Weisbrod recommended that most of the bank's trading take place through PKS, resulting in the bank paying additional markups to the broker's broker, for his own financial benefit. During the relevant period, when Weisbrod was experiencing financial difficulties, he entered into a series of transactions with the registered representative of record for the bank's PKS accounts to direct more than \$370,000 in commissions from the bank to Weisbrod. Weisbrod never disclosed these payments to the bank.

In 2016, Weisbrod recommended that the bank pursue an investment strategy that not only substantially increased the volume of trading through PKS, thereby generating additional commissions that were secretly provided to Weisbrod, but also increased the financial risks undertaken by the bank. Specifically, on Weisbrod's recommendation, the bank issued a bond and used the proceeds to purchase \$47 million in fixed-income securities, including corporate bonds and collateralized mortgage obligations, primarily through PKS. Weisbrod's recommended investment strategy exposed the bank to significant financial risk because the securities that the bank purchased had longer durations than the deposits used by the bank to fund the purchases. Due to this mismatch, a small increase in interest rates could have depleted the bank's capital because the bank's longer-dated securities would have decreased in value, resulting in the bank's inability to pay shorter-term depositors. After the bank discovered Weisbrod's conduct and obtained a third-party consultant, the bank had to take costly steps to remediate the risks imposed by Weisbrod's investment strategy, including purchasing an interest rate cap for \$600,000. In 2021, the Federal Deposit Insurance Corporation issued an Order against the bank for engaging in unsafe or unsound business practices in connection with Weisbrod's investment strategy and issued a separate Order prohibiting Weisbrod from participating in the affairs of any federally insured depository institution.

By breaching his fiduciary duties to the bank, Weisbrod violated FINRA Rule 2010.

Weisbrod made false statements to PKS concerning his involvement with the bank.

Making false statements to a FINRA member violates FINRA Rule 2010.

In 2013 and 2014, PKS's compliance department made several inquiries to Weisbrod in connection with determining whether to approve his involvement with the bank as an outside business activity. In response, Weisbrod made three false statements to PKS. First, Weisbrod represented to PKS that the bank did "no investing whatsoever" with him. Second, Weisbrod stated that he did not sit on any bank committees and had "no influence" over the bank's investment decisions. Third, Weisbrod stated that the registered representative of record on the bank's PKS accounts conducted business "totally" and "completely" independently from Weisbrod. These statements were false because, as described above, Weisbrod attended the bank's investment committee meetings, influenced the bank's investment decisions, and was involved in the bank's trading through PKS. After Weisbrod made these misrepresentations to PKS, the firm approved his continued involvement with the bank as an outside business activity.

Therefore, Weisbrod violated FINRA Rule 2010.



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

- a bar from associating with any FINRA member in all capacities.

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. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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

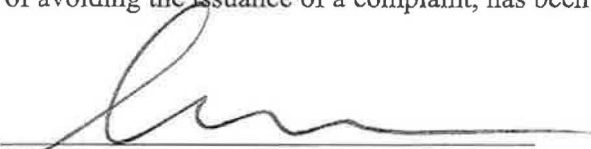
Respondent understands that:

- 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.

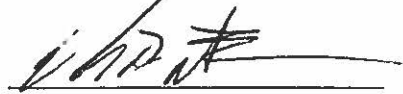
Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

Date

8/1/23


William Henry Weisbrod
Respondent

Reviewed by:



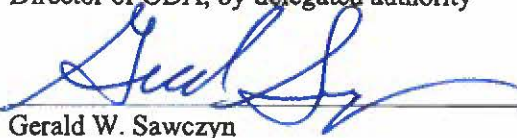
Charles McKenna, Esq.
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Morristown, NJ 07962

Accepted by FINRA:

Date

8/2/2023

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



Gerald W. Sawczyn
Senior Counsel
FINRA
Department of Enforcement
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