

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

Department of Enforcement,

Complainant,

v.

Gregory J. Mancuso
CRD No. 5681691,

Respondent.

Disciplinary Proceeding
No. 2020066608501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. While associated with former FINRA member firm BMA Securities, LLC (CRD No. 108219), Gregory J. Mancuso handled the accounts of two senior customers who were also sisters—Customers 1 and 2. Beginning in September 2017 and continuing through January 2019, Mancuso arranged for Customers 1 and 2 to transfer \$603,000 of their life savings to Company A, a purported Swiss asset management firm. Mancuso was a consultant for Company A and introduced Customers 1 and 2 to Company A.

2. During his July 13, 2020 on-the-record (OTR) testimony, Mancuso lied to FINRA in order to conceal his involvement with Customer 1 and 2's transfers of funds to Company A. Mancuso falsely denied knowing that Customers 1 and 2 had transferred a significant portion of their life savings to Company A, notwithstanding that he was the sole connection between these customers and Company A and had facilitated the transfers. Mancuso also falsely testified that he believed Customer 1's assets continued to be invested in a variable annuity that he

recommended to her while he was associated with BMA Securities when, in fact, Mancuso had previously made numerous telephone calls and sent emails to the variable annuity company to liquidate Customer 1's annuity so that the proceeds could be wired to Company A. Finally, Mancuso lied about knowing of and contacting an attorney to potentially change Customer 1's power-of-attorney (POA). As a result of the foregoing, Mancuso violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

3. Mancuso first registered with FINRA as a General Securities Representative (GSR) through a member firm in September 2009. Between December 2010 and August 2016, Mancuso was registered with FINRA through several other member firms. On August 2, 2016, Mancuso registered with FINRA as a GSR through BMA Securities. He remained registered through BMA Securities until his registration was terminated on November 13, 2017. On December 13, 2019, Mancuso registered with FINRA as a GSR through another member firm. His registration was terminated by this firm on October 13, 2020.

4. Although Mancuso 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 October 13, 2020, which was the effective date of termination of Mancuso's registration with a member firm; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member firm.

FACTS

Mancuso Served as the Broker for Senior Customers 1 and 2 While Associated with BMA Securities

5. While working at BMA Securities, Mancuso began serving as the broker for Customers 1 and 2, who are sisters. Mancuso inherited their accounts as a result of BMA Securities' acquisition of accounts from another broker-dealer.

6. Customer 1 is 73-years-old and has dementia.

7. Customer 2 is 68-years-old and has multiple sclerosis.

8. In 2017, while associated with BMA Securities, Mancuso recommended that Customer 1 use funds from her 401(k) account to purchase a variable annuity offered by Financial Institution W. Customer 1 deposited approximately \$369,000 into the variable annuity.

9. In 2017, while associated with BMA Securities, Mancuso also recommended that Customer 2 purchase a variable annuity offered by Financial Institution W. Customer 2 deposited \$87,070 into the variable annuity.

Mancuso Worked as a Consultant for Company A

10. Company A is a purported Swiss asset management firm located in Zug, Switzerland.

11. Mancuso agreed to work as a consultant for Company A. An unsigned consulting agreement, dated as of November 1, 2017, described Mancuso's consulting services as:

(a) advising on corporate structure, capital formation and vendor selection; (b) advising on marketing, including financial public relations; (c) developing strategic business alliances with financial institutions; and (d) advising on capital market operations, compliance and support.

12. Mancuso testified that his consulting work for Company A involved compliance and, in particular, reviewing the trading of Company A's clients in low-priced securities in the United States markets.

***Mancuso Falsely Denied Any Involvement in
Customer 1 and 2's Initial Transfers of Funds to Company A***

13. Customers 1 and 2 each entered into separate loan agreements with Company B, a Delaware limited partnership, dated September 20, 2017. In the loan agreements, Company A was identified as the general partner of Company B.

14. In the loan agreements, Customers 1 and 2 each agreed to lend \$50,000 to Company B.

15. On October 2 and 12, 2017, Customers 1 and 2 made wire transfers to Company A totaling \$105,000 as part of their funding of the loan agreements. The transfers were made from their bank, Financial Institution X.

16. At his OTR testimony taken pursuant to FINRA Rule 8210 on July 13, 2020, Mancuso testified that he did not know Customer 1 agreed to lend \$50,000 to Company B:

Q. So were you aware that [Customer 1] had lent \$50,000 to [Company A] and [Company B]?

A. No.

17. Mancuso's testimony was false. Mancuso was aware of the loan because he acted as the sole connection between Customers 1 and 2 and Company A and Company B.

18. In addition, Mancuso called Customer 1 a total of seven times on October 1 and 2, 2017—the latter being the date of the first wire transfer to Company A to fund the loan agreement. The longest call—on October 1—lasted 97 minutes.

19. Similarly, Mancuso called Customer 1 a total of five times on October 11 and 12, 2017—the latter being the date of the second wire transfer to Company A to fund the loan agreement. The longest call—on October 11—lasted 46 minutes.

20. Mancuso also falsely asserted during his OTR testimony that he did not know how Customer 1 came into contact with Company A. Mancuso testified:

Q. Do you know how [Customer 1] would have come into contact with [Company A] or [Company B]?

A. [Customer 1] and I are close so [Customer 1] knows I worked with [Company A], but I was doing compliance. So, no, I don't know, [Customer 1] probably heard me say the name [Company A] and called them, but I have never seen this.

21. Mancuso's testimony was false. Mancuso facilitated Customer 1's contact with Company A and, as alleged above, he was aware of the transfers of funds made by Customers 1 and 2 to Company A.

***Mancuso Facilitated the Transfer of More Funds
by Customers 1 and 2 to Company A, and Lied About It to FINRA***

22. Customers 1 and 2 continued wiring a significant portion of their life savings to Company A during the time that Mancuso was working as a consultant for Company A.

23. Customers 1 and 2 made the following wire transfers to Company A from Financial Institution X: (1) \$40,000 on March 21, 2018; (2) \$85,000 on March 26, 2018; (3) \$335,000 on April 4, 2018; (4) \$8,000 on July 30, 2018; and (5) \$30,000 on January 14, 2019.

24. Customers 1 and 2 transferred a total of \$603,000 to Company A.

25. Throughout his July 13, 2020 OTR testimony, Mancuso repeatedly denied having any involvement in the transfers or even knowing that they occurred.

26. Mancuso testified as follows:

Q. Were you aware that [Customer 1] was wiring funds to [Company A]?

A. I was not aware.

27. He further testified:

Q. And so your testimony is that to this or at least before today, [Customer 1] in the course of any conversations you had with her between 2017 and today never mentioned to you that she had investments with the same firm that you had told her you were doing consulting work for; is that right?

A. That's correct.

28. Mancuso's testimony was false. Mancuso facilitated at least the first three transfers alleged above: (1) \$40,000 on March 21, 2018; (2) \$85,000 on March 26, 2018; and (3) \$335,000 on April 4, 2018, as alleged below in paragraphs 35 through 44.

29. Mancuso also had four telephone conversations with Customer 1 on July 30, 2018, which was the date of the \$8,000 transfer and one telephone conversation with Customer 1 on each of January 13 and 14, 2019, the latter of which is the date of the \$30,000 transfer.

30. In addition, on or about June 5, 2020, Mancuso expressly acknowledged to FINRA staff in a voicemail that he knew that Customer 1 had investments through a "non-U.S. investment firm that [he] was with" that was "regulated through Switzerland."

31. After he was confronted with this statement during his OTR testimony, Mancuso falsely asserted that he "can't remember knowing [Customer 1] had anything at [Company A]" and claimed that he "jumb[ed] [his] words."

***Mancuso Falsely Testified that He Was Unaware
Customer 1 Had Liquidated Her Variable Annuity***

32. Mancuso testified at his OTR that he was not aware that Customer 1 had liquidated her variable annuity at Financial Institution W. He testified as follows:

Q. And you were not aware that [Customer 1] liquidated her [Financial Institution W] annuity?

A. No, she hadn't told me.

Q. Before seeing this [exhibit] to the best of your knowledge, she still held her [Financial Institution W] annuity; is that correct?

A. I thought she still had her [Financial Institution W] annuity, correct.

33. Mancuso's testimony was false. Mancuso directly facilitated the liquidation of Customer 1 and Customer 2's variable annuities at Financial Institution W by making a series of telephone calls and sending emails to ensure the annuities were liquidated and the proceeds immediately transferred to Company A.

34. Mancuso also lied to Financial Institution W to facilitate the liquidations.

35. Specifically, on March 15, 2018, Mancuso called Financial Institution W and falsely stated that Customer 1 was having an "emergency" and needed to make a withdrawal. Mancuso asked whether Financial Institution W could wire the funds instead of sending the funds via ACH, as it would typically do.

36. On March 19, 2018, the funds were withdrawn from Customer 1's variable annuity and Financial Institution W made a wire transfer of \$40,000 into Customer 1's account at Financial Institution X.

37. On March 21, 2018, a wire transfer of \$40,000 was made from Customer 1's account at Financial Institution X to Company A.

38. Similarly, on March 22, 2018, Mancuso called Financial Institution W and falsely claimed that Customer 2 had to liquidate her variable annuity, because she was in the hospital and needed the funds. Mancuso called Financial Institution W again later in the day to ensure the request would be processed and the funds transferred.

39. On March 26, 2018, the funds were withdrawn and Financial Institution W made a wire transfer of \$85,327 into Customer 2's account at Financial Institution X.

40. That same day, a wire transfer of \$85,000 was made from Customer 2's account at Financial Institution X to Company A.

41. On April 2, 2018, Mancuso called Financial Institution W. Having previously facilitated a withdrawal of \$40,000 from Customer 1's variable annuity, he was now trying to arrange for the complete surrender of the annuity, which he had recommended to Customer 1 approximately one year earlier. A taped telephone call demonstrates that Mancuso was completing the form required to surrender the annuity, which had a current value of \$362,000, as he was speaking to the representative of Financial Institution W. During the call, a representative of Financial Institution W told Mancuso that Customer 1 would incur surrender and other charges of more than \$26,000.

42. The next day, April 3, 2018, Mancuso again called Financial Institution W to inquire about the status of Customer 1's surrender of her annuity and to see if the request could be expedited and a wire transfer completed. Mancuso falsely informed Financial Institution W that Customer 1 was having a medical emergency.

43. On April 4, 2018, the funds were withdrawn and Financial Institution W made a wire transfer of \$333,594 into Customer 1's account at Financial Institution X.

44. That same day, a wire transfer of \$335,000 was made from Customer 1's account at Financial Institution X to Company A.

Mancuso Also Lied About Trying to Hire An Attorney to Change Customer 1's POA

45. Mancuso's involvement with Customer 1 continued after the transfers to Company A ended in 2019. Specifically, Mancuso contacted Massachusetts Attorney 1 about changing Customer 1's POA in June 2020.

46. Mancuso was asked about Massachusetts Attorney 1 during his OTR testimony.

Q. Did you ever contact an attorney on [Customer 1's] behalf?

A. No.

Q. Does the name [Massachusetts Attorney 1] sound familiar to you?

A. No.

Q. Have you ever contacted [an] attorney by the name of [Massachusetts Attorney 1] in Massachusetts?

A. I don't think so.

47. Mancuso's testimony was false. After providing this testimony at his OTR on July 13, 2020, FINRA staff played for Mancuso two telephone messages that Mancuso left for Massachusetts Attorney 1 approximately one month before his OTR testimony.

48. Mancuso falsely denied that it was his voice on the first recording.

49. Only after hearing the second recorded telephone message did Mancuso ultimately admit that he called Massachusetts Attorney 1. Mancuso testified that he called

Massachusetts Attorney 1 on Customer 1's behalf because Customer 1 was purportedly unable to reach Massachusetts Attorney 1 directly.

CAUSE OF ACTION
Providing False Testimony Requested Pursuant to FINRA Rule 8210
(Violation of FINRA Rules 8210 and 2010)

50. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

51. FINRA Rule 8210 authorizes FINRA staff, “[f]or the purpose of an investigation,” to:

[R]equire . . . any other person subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically . . . and to testify at a location specified by FINRA Staff, under oath or affirmation administered by a court reporter or a notary public if requested with respect to any matter involved in the investigation.

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

53. FINRA Rule 2010 states, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

54. Providing false testimony during an OTR taken pursuant to FINRA Rule 8210 is a violation of FINRA Rule 8210. A violation of FINRA Rule 8210 also violates FINRA Rule 2010.

55. On July 13, 2020, Mancuso provided false testimony during an OTR taken pursuant to FINRA Rule 8210. As alleged above, Mancuso testified falsely with respect to: (i) his knowledge of and involvement in the loan agreements with Company B and related transfers made by Customers 1 and 2 to Company A in September and October 2017; (ii) how Customer 1 came into contact with Company A and Company B; (iii) his knowledge of and

involvement in three subsequent transfers made by Customers 1 and 2 to Company A in March and April 2018; (iv) his lack of knowledge that Customer 1 liquidated her variable annuity; and (v) his contact with Massachusetts Attorney 1.

56. The information sought during the OTR was material to FINRA's investigation into Mancuso's outside business activities with Company A and his involvement with the accounts of his BMA Securities Customers 1 and 2.

57. As a result of the foregoing, Mancuso 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 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 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: December 21, 2020

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