

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066887201**

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

RE: Anthony Joseph Graziano (Respondent)
General Securities Principal
CRD No. 2862096

Pursuant to FINRA Rule 9216, Respondent Anthony Joseph Graziano 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

Graziano first registered with FINRA in 1997. Graziano became registered as a General Securities Representative and General Securities Principal through an association with Joseph Stone Capital, L.L.C. (CRD No. 159744) in June 2015, and he subsequently became registered as a Compliance Officer in October 2018. Graziano remains registered through Joseph Stone in those capacities.¹

OVERVIEW

From August 2019 to June 2020, Graziano failed to reasonably supervise one registered representative of Joseph Stone, who excessively traded one customer's account. As a result, Graziano violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3110(a) requires that each member firm "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b)(1) provides that "[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and

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

the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and act upon the results of such investigation. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

FINRA Rule 2111 requires, in pertinent part, that member firms or their associated persons “have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” Recommended securities transactions may be unsuitable if, when taken together, they are excessive, the level of trading is inconsistent with the customer’s investment profile, and the registered representative exercises actual or de facto control over the customer’s account.

No single test defines when trading is excessive, but factors such as the turnover rate and the cost-to-equity ratio are considered in determining whether a firm or associated person has violated FINRA’s suitability rule. Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio is the percentage of return on the customer’s average net equity needed to pay commissions and other expenses. A turnover rate of six or a cost-to-equity rate above 20 percent generally indicates that an account has been excessively traded.

From August 2019 to June 2020, Graziano was the designated principal responsible for supervising the registered representatives assigned to Joseph Stone’s branch office in Manhattan. Graziano’s supervisory responsibilities, as set forth in the firm’s written supervisory procedures (WSPs), included (1) reviewing the branch’s daily trade blotter and, where appropriate, “speaking with [the] broker and the client to determine whether any sales practice violations have occurred” and (2) enforcing any restrictions that another principal of Joseph Stone (Principal A) imposed on the commissions that could be charged in a customer account.² Graziano did not reasonably discharge those responsibilities, as set forth below.

First, although Graziano reviewed the branch’s daily trade blotter, he failed to identify red flags that a representative under his supervision (Representative A) was excessively trading the account of a 78-year-old customer (Customer 1).³ For example, Graziano failed to identify red flags of excessive trading through his review of the branch’s daily

² The firm’s WSPs gave Principal A the authority to limit the commissions charged to customer accounts, and the WSPs required designated principals, including Graziano, to enforce them.

³ Representative A entered into an AWC through which he consented to findings that he excessively traded Customer 1’s account. The AWC suspended Representative A from associating with any FINRA member in all capacities for six months and required that he pay a fine of \$5,000 and restitution of \$147,031.50.

trade blotter, including multiple in-and-out trades of the same security. Moreover, even after being specifically told by Principal A that the cost-to-equity ratio in Customer 1's account exceeded benchmarks for excessive trading (see below), Graziano failed to take steps to investigate "whether any sales practice violations [had] occurred."

Second, Graziano did not enforce restrictions that Principal A set on the commissions that Representative A could charge in Customer 1's account. In September 2019, Principal A notified Graziano that he was restricting the commissions Representative A could charge in Customer 1's account to one percent per trade because the account's cost-to-equity ratio already exceeded 20 percent. Graziano, however, failed to enforce this restriction and, as a result, between September 2019 and January 2020, Representative A charged Customer 1 commissions greater than one percent on six separate occasions. Collectively, those trades caused Customer 1 to pay an additional \$4,000 in commissions after Principal A had restricted the commissions that could be charged in the account.

In all, the trades that Representative A recommended in Customer 1's account from August 2019 to June 2020 resulted in a cost-to-equity ratio of 22 percent and caused Customer 1 to pay almost \$120,000 in commissions and other trading costs.

As a result of the foregoing, Graziano violated FINRA Rules 3110 and 2010.

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

- a three-month suspension from associating with any FINRA member in all principal capacities;
- a \$5,000 fine; and
- a requirement that within 90 days of the Notice of Acceptance of this AWC, Graziano will undertake to attend and satisfactorily complete 20 hours of continuing education concerning supervisory responsibilities by a provider not unacceptable to FINRA. Graziano will notify Myla G. Arumugam, Counsel, FINRA Department of Enforcement, of the name and contact information of the provider who is providing the continuing education at least 10 days prior to attending the training. Within 30 days following completion of such training, Graziano will submit written proof that the continuing education program has been satisfactorily completed to Myla G. Arumugam, Counsel, FINRA Department of Enforcement. All correspondence must identify the respondent and matter number.

Respondent agrees to pay the monetary sanction within 120 days after the date of the notice of acceptance of the AWC. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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.

Respondent understands that if he is barred or suspended from associating with any FINRA member in all principal capacities, 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, Respondent may not be associated with any FINRA member in any principal capacity, during the period of the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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.

November 30, 2021

Date

Anthony Graziano

Anthony Joseph Graziano
Respondent

Accepted by FINRA:

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

December 8, 2021

Date

Myla Arumugam

Myla G. Arumugam
Counsel
FINRA
Department of Enforcement
581 Main St., 7th Floor
Woodbridge, NJ 07095