

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066903601**

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

RE: Douglas Fulton Kaiser (Respondent)
General Securities Principal
CRD No. 1674570

Pursuant to FINRA Rule 9216, Respondent Douglas Fulton Kaiser 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

Kaiser first registered with FINRA in 1987. From March 2010 to the present, he has been associated with WestPark Capital Inc. as a general securities principal and in several other registration capacities. Kaiser remains associated with the firm.

On October 7, 2011, FINRA's Office of Hearing Officers entered an order accepting an offer of settlement in Disciplinary Proceeding No. 2009016158501. Kaiser consented to findings that, at a prior firm, he (i) engaged in deceptive conduct to facilitate an impermissible commission-recapture agreement in violation of NASD Rule 2110 and FINRA Rule 2010; (ii) violated NASD Rules 3110(a) and 2110 and FINRA Rule 2010 when, while Kaiser was FINOP, his then-firm inaccurately reported having excess net capital when it actually ran a net capital deficiency of nearly \$100,000; and (iii) violated NASD Rules 2711(d)(2) and 2110 and FINRA Rule 2010 because the research analyst compensation committee, of which Kaiser was a member, failed to document the basis for a research analyst's compensation. Kaiser consented to a one-year suspension and a \$30,000 fine. Following that FINRA action, Kaiser entered into a consent order with the Maryland Division of Securities on March 19, 2012, concerning the same conduct through which he withdrew his state registration, with the ability to reapply in November 2012.

On June 5, 2000, Kaiser entered into a stipulation and consent with the Utah Division of Securities finding that Kaiser had allowed the use of misleading sales scripts and

advertising, allowed persons to supervise without the required levels of NASD registration, and failed to reasonably supervise agents.

On January 3, 2000, Kaiser entered into AWC No. C0719990081, pursuant to which FINRA found that Kaiser had violated NASD Rule 2860(b) by failing to supervise the suitability of options transactions in a customer account. Kaiser consented to a \$5,000 fine and a ten business-day suspension.

On March 18, 1993, NASD accepted an offer of settlement submitted by Kaiser in No. C07920015. NASD had alleged that Kaiser violated Article III, Sections 1, 19(a), and 19(f) of the Rules of Fair Practice by effecting the purchase of shares of common stock for the accounts of public customers without the knowledge or consent of the customers, then wiring \$950 to a public customer for losses sustained in the customer's account. Through the offer of settlement, Kaiser consented to a censure, a \$5,000 fine, and a requirement to requalify as a general securities principal before functioning in that capacity.¹

OVERVIEW

Kaiser violated FINRA Rules 3110 and 2010 by failing to supervise his firm's markups and markdowns for U.S. Treasury securities.

FACTS AND VIOLATIVE CONDUCT

This matter arose out of an investigation conducted by the Department of Enforcement into a former Westpark registered representative.

FINRA Rule 3110(a) states that each member firm shall 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) states that each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Individual supervisors are responsible for reasonable supervision, a standard determined based on the particular circumstances of each case. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires associated persons in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

In December 2020, FINRA barred Representative A, who had been associated with WestPark for (a) violating FINRA Rules 2111 and 2010 by recommending an unsuitable investment strategy characterized by the active, short-term trading of U.S. Treasury securities and (b) charging excessive markups on certain proceeds transactions involving U.S. Treasury securities in violation of FINRA Rule 2121 Supplementary Material

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

.01(c)(5). Representative A began that misconduct while at a prior firm and continued it after he joined WestPark, from March 2016 to January 2018.

Kaiser was the supervisor of WestPark's fixed-income trading desk while Representative A was associated with WestPark. In that role, Kaiser was responsible for reviewing markups and markdowns on fixed-income transactions. For eight customers who suffered losses due to Representative A's Treasury-trading strategy at Westpark, Representative A charged, and Kaiser approved, markups or markdowns in excess of Westpark's markup and markdown policy for almost half of Representative A's Treasury transactions. Kaiser failed to recognize and respond appropriately to the elevated markups and markdowns. For five of the eight customers, moreover, Kaiser miscalculated the markdowns Representative A charged for certain sales on one day, resulting in Kaiser erroneously approving markdowns on individual sales as high as 4.28 and 5.52 percent. Those sales were part of a group of same-day sales followed by purchases the following day that collectively amounted to "proceeds" transactions. The combined markups for those proceeds transactions ranged from 6.11 to 7.92 percent. Kaiser accordingly failed to reasonably supervise Representative A's markups and markdowns on U.S. Treasuries.

Kaiser therefore violated FINRA Rules 3110 and 2010.

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

- a three-month suspension from associating with any FINRA member firm in all principal capacities;
- a \$5,000 fine; and
- a requirement that within 60 days after this AWC is accepted, respondent will attend and satisfactorily complete twenty hours of continuing education concerning supervision by a provider not unacceptable to FINRA. Within 30 days following satisfactory completion of such training, respondent will submit written proof of completion to Jonathan E. Pahl, Principal Counsel, FINRA Department of Enforcement, 15200 Omega Drive, Third Floor, Rockville, MD 20850, Jonathan.Pahl@FINRA.org, with a copy to EnforcementNotice@FINRA.org. All correspondence must identify Respondent Kaiser and Matter No. 2020066903601. Upon written request showing good cause, FINRA staff may extend the procedural dates related to this continuing-education requirement.

Respondent Kaiser understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, 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 Kaiser may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent Kaiser 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.

Respondent Kaiser agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent Kaiser has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent Kaiser 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 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 rights 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 understand 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

October 21, 2022

Date

Douglas Fulton Kaiser

Douglas Fulton Kaiser
Respondent

Reviewed by:

Julie Kamps

Julie Kamps
Counsel for Respondent
1900 Avenue of the Stars, Suite 310
Los Angeles, CA 90067

Accepted by FINRA:

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

November 11, 2022

Date

Jonathan E. Pahl

Jonathan E. Pahl
Principal Counsel
FINRA
Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850