

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021071685401**

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

RE: Jeffrey A. Russell (Respondent)
Former General Securities Representative and Former General Securities Sales
Supervisor
CRD No. 2516610

Pursuant to FINRA Rule 9216, Respondent Jeffrey A. Russell 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

Russell first became registered as a General Securities Representative (GSR) in 1994 through his association with a FINRA member. In January 2001, Russell became registered as a General Securities Sales Supervisor (SU) through an association with the same FINRA member. After leaving that firm, Russell became registered as a GSR and an SU through an association with Morgan Stanley, a FINRA member. On June 16, 2021, Morgan Stanley filed a Form U5 reporting that the firm discharged Russell due to “[c]oncerns that [he] effected certain transactions in client accounts without obtaining client authorization beforehand and failed to timely escalate a customer complaint.”

On February 13, 2023, Morgan Stanley filed a Form U5 amendment for Russell disclosing a customer complaint against him alleging that the “purchase of [a] mutual fund in 2021 was unauthroized [sic].”

Although Russell is no longer registered through or associated with a FINRA member firm, he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4(a) of FINRA’s By-Laws.¹

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

OVERVIEW

In February 2021, while associated with Morgan Stanley, Russell effected 657 unauthorized purchases of a mutual fund in 610 of his customers' firm brokerage accounts. Additionally, between December 2020 and March 2021, Russell effected unauthorized purchases of a different mutual fund in six of his customers' firm brokerage accounts. As a result, Russell violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the Form U5 filed by Morgan Stanley in June 2021.

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.

Unauthorized trading is a breach of the duty to observe high standards of commercial honor and just and equitable principles of trade and, thus is a violation of FINRA Rule 2010.

During the relevant period, Morgan Stanley's written supervisory policies prohibited its associated persons from exercising orders without the prior express authorization of the customer.

In February 2021, Russell effected 657 purchases of a money market mutual fund in the brokerage accounts of 610 different firm customers without his customers' prior authorization or consent. These customers were all homeowners' associations. The money market mutual fund transactions did not generate any commissions for Russell. Additionally, between December 2020 and March 2021, Russell effected six purchases of a mutual fund that invested in mortgage-backed securities (MBSs) in six customers' brokerage accounts without prior authorization or consent from his customers. The MBS mutual fund transactions generated \$2,999 in commissions for Russell.

Therefore, Russell violated FINRA Rule 2010.

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

- a six-month suspension from associating with any FINRA member in all capacities;
- a \$5,000 fine; and
- disgorgement of \$2,999 plus interest as described below.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 sanctions imposed in this matter.

Disgorgement of commissions received is ordered to be paid to FINRA in the amount of \$2,999, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from December 2, 2020 until the date this AWC is accepted by the National Adjudicatory Council (NAC). Disgorgement shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 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.

11.13.23

Date



Jeffrey A. Russell
Respondent

Reviewed by:



Rebecca MacLaren
Counsel for Respondent
Sawyer & Labar LLP
6060 Center Drive, 10th Floor
Los Angeles, CA 90045

Accepted by FINRA:

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

11/16/2023

Date



Alex Marinello
Counsel
FINRA
Department of Enforcement
Two Jericho Plaza, Suite 307
Jericho, NY 11573