

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2023077646901**

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

RE: Manuel F. Melendez (Respondent)  
Former General Securities Representative  
CRD No. 4648278

Pursuant to FINRA Rule 9216, Respondent Manuel F. Melendez 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**

Melendez first registered with FINRA in November 2003 through an association with a FINRA member firm. From May 2007 to May 2023, Melendez was registered with FINRA as a General Securities Representative through an association with UBS Financial Services Inc. (CRD 8174).

On May 24, 2023, UBS filed a Uniform Termination Notice for Securities Industry Registration (Form U5), disclosing that Melendez voluntarily terminated his employment with the firm on April 27, 2023. On July 4, 2023, UBS filed an amended Form U5 disclosing a settlement with a customer who alleged Melendez borrowed money from her and solicited her to invest in unsuitable, unapproved outside business ventures.

Although Melendez is not currently associated with any FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

**OVERVIEW**

Between October 2018 and February 2021, while registered through UBS, Melendez borrowed \$738,000 from two firm customers through four separate loans without

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<sup>1</sup> For more information about the respondent visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

providing prior written notice to or obtaining written approval from UBS, in violation of FINRA Rules 3240 and 2010. Melendez used thousands of dollars from these loans to pay expenses unrelated to the loans' purposes, in violation of FINRA Rules 2150(a) and 2010. Further, between May 2019 and April 2023, Melendez violated FINRA Rules 3270 and 2010 by engaging in two outside business activities without providing prior written notice to UBS and by failing to accurately disclose these activities when he belatedly notified UBS of them.

For these violations, Melendez is barred from associating with any FINRA member in all capacities.

### **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a customer complaint against Melendez.

#### **Melendez accepted four loans totaling \$738,000 from two UBS customers.**

FINRA Rule 3240 prohibits a registered person from borrowing from or lending money to his or her customer unless: (1) the member has written procedures allowing the borrowing and lending of money between such registered persons and customers of the member and (2) the borrowing or lending arrangement meets at least one of five conditions specified in the rule. Even if those requirements are satisfied, the registered representative must seek and obtain prior written approval for the loan from the member firm, except that the firm's procedures may provide otherwise where the customer is a lending-related business or a member of the representative's immediate family.

A violation of FINRA Rule 3240 is also a violation of FINRA Rule 2010, which requires members and their associated persons to "observe high standards of commercial honor and just and equitable principles of trade."

At all times between October 2018 and February 2021, UBS's written supervisory procedures (WSPs) prohibited registered representatives from borrowing money from customers unless the loans were between immediate family members or otherwise complied with the conditions set forth in FINRA Rule 3240. The WSPs also required that any loan from a customer to an associated person be pre-approved, in writing, by a principal at the firm.

In October 2018, Melendez borrowed \$300,000 from his customer at UBS (Customer 1), who was 65-years old at the time and not an immediate family member of Melendez or in the business of lending money. The loan did not meet any of the conditions set forth in the firm's WSPs or comply with any of the conditions set forth in FINRA Rule 3240. Melendez and Customer 1 executed a written loan agreement, which stated that the loan was for capital to invest in a billboard advertising business. The loan agreement required Melendez to repay the principal plus \$130,000 in interest within five years. To date, Melendez has not paid Customer 1 any interest or principal.

Between December 2019 and February 2021, Melendez borrowed \$438,000 from another of his customers at UBS (Customer 2), who was not an immediate family member of Melendez or in the business of lending money, through three separate loans—\$155,000 in December 2019, \$150,000 in December 2020, and \$133,000 in February 2021. None of the loans met any of the conditions set forth in the firm’s WSPs or complied with any of the conditions set forth in FINRA Rule 3240. Melendez and Customer 2 executed a written loan agreement for the December 2019 loan only. That agreement stated that the loan was for capital to complete the acquisition of an ice cream business and required Melendez to repay the loan within five years. Melendez and the customer orally agreed that the other two loans, along with the unused funds from the first loan, would be used to purchase a sign business. To date, Melendez has not repaid any of the loans from Customer 2.<sup>2</sup>

Prior to borrowing money from Customer 1 or Customer 2, Melendez did not provide any notice, written or otherwise, to UBS about the loan, and he did not obtain approval from UBS to borrow the money. Melendez falsely attested on four compliance questionnaires that he had not received a loan from any UBS client.

Therefore, Melendez violated FINRA Rules 3240 and 2010.

**Melendez used customer funds improperly.**

FINRA Rule 2150(a) provides that “[n]o member or person associated with a member shall make improper use of a customer’s securities or funds.” An associated person makes improper use of customer funds when he or she fails to apply the funds, or uses them for some purpose other than, as directed by the customer. Improper use of customer securities or funds also violates FINRA Rule 2010.

In October 2018, as described above, Customer 1 loaned Melendez \$300,000 as capital to invest in a billboard advertising business. She did not authorize Melendez to use her money for any other purpose. Nonetheless, between 2018 and 2019, Melendez used thousands of dollars from Customer 1’s loan to pay personal expenses, such as cruises, airline tickets, and retail purchases.

Between December 2019 and February 2021, as described above, Customer 2 loaned Melendez \$438,000 to purchase an ice cream business and sign business. She did not authorize Melendez to use her money for any other purpose. Nonetheless, between January 2020 and February 2021, Melendez used thousands of dollars from Customer 2’s loans to pay expenses related to his separate billboard advertising business.

Therefore, Melendez violated FINRA Rules 2150(a) and 2010.

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<sup>2</sup> UBS settled claims by Customer 1 and Customer 2 arising from the conduct described in this AWC.

**Melendez failed to timely disclose outside business activities.**

FINRA Rule 3270 provides, in relevant part:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

The notice must be given at the time steps are taken to commence a business activity.

A violation of FINRA Rule 3270 also constitutes a violation of FINRA Rule 2010.

Between May 2019 and April 2023, UBS's WSPs prohibited registered representatives from engaging in any outside activities, including outside employment, without the prior written consent of the firm.

Beginning in May 2019, Melendez took steps to purchase an ice cream business, from which he had a reasonable expectation of earning compensation. In July 2019, Melendez became an officer of a newly formed holding company, which he intended to use as a vehicle to purchase the ice cream business. Melendez never disclosed to UBS that he was an officer of this holding company, and he did not notify or seek approval from UBS before engaging in outside business activities related to the ice cream business. Eventually, in January 2020, Melendez disclosed the ice cream business to UBS, but his disclosure falsely stated that no UBS customer was involved in the business, despite having borrowed money from Customer 2 to purchase the business.

Beginning in October 2020, Melendez took steps to purchase a sign company, from which he had a reasonable expectation of earning compensation. Melendez negotiated deal terms, submitted purchase agreements, and entered loan agreements, including with Customer 2, to finance the purchase. Melendez did not notify or seek approval from UBS before engaging in outside business activities related to the sign company. Eventually, in February 2021, Melendez disclosed the business to UBS, but his disclosure falsely stated that no UBS customer was involved in the business, despite having borrowed money from Customer 2 to purchase the business.

Therefore, Melendez violated FINRA Rules 3270 and 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.

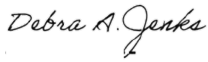
April 1, 2025

Date



Manuel F. Melendez  
Respondent

Reviewed by:



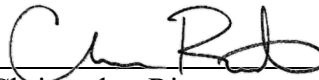
Debra A. Jenks, Esq.  
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Suite 214-242  
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Accepted by FINRA:

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

April 15, 2025

Date



Christopher Rivet  
Counsel  
FINRA  
Department of Enforcement  
100 Pine Street, Suite 1800  
San Francisco, CA 94111