

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023080253301**

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

RE: Imdadur Rahman (Respondent)
General Securities Representative
CRD No. 2476187

Pursuant to FINRA Rule 9216, Respondent Imdadur Rahman 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

Rahman first registered with FINRA as a General Securities Representative (GS) in July 1994 through an association with a member firm. He was registered as a GS through associations with two other member firms between December 1998 and December 2005. In November 2005, Rahman registered with FINRA as a GS through an association with Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD No. 7691). On October 19, 2023, Merrill Lynch filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that it had discharged Rahman for “[c]onduct including engaging in undisclosed outside business activity with a client, accessing a client account in violation of firm policy, failing to comply with firm policy concerning the appointment of a family member as a beneficiary on a client’s accounts, and providing inaccurate information on firm records.”

Since October 30, 2023, Rahman has been registered as a GS with FINRA through an association with another member firm.¹

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

OVERVIEW

This matter arises out of Rahman's financial dealings with a senior customer (Customer A), who owned two brokerage accounts at Merrill Lynch for which Rahman was the broker of record. In November 2021, at 78 years of age, Customer A moved from one assisted living facility to another nearer to Rahman's residence.

On three dates between December 2021 and August 2022, Rahman facilitated Customer A's designation of Rahman's wife as his beneficiary for two firm accounts in violation of FINRA Rules 3241 and 2010. Moreover, to circumvent the firm's prohibition on representatives or their family members being designated customers' beneficiaries, Rahman falsely identified his wife as Customer A's niece on the beneficiary designation forms, in violation of FINRA Rule 2010.

From at least December 2021 through July 2023, Rahman engaged in an outside business activity by providing certain services to Customer A in exchange for at least \$116,000 in compensation, without providing prior written notice to, or receiving approval from, his firm, in violation of FINRA Rules 3270 and 2010.

Between at least August 2022 and July 2023, Rahman also accepted monetary gifts totaling at least \$47,000 from Customer A in circumvention of his firm's policies. As a result, Rahman violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the Form U5 Merrill Lynch filed.

A. Rahman facilitated Customer A's designation of Rahman's wife as beneficiary on two accounts.

FINRA Rule 3241 provides that "[a] registered person shall decline being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status" unless (a) the customer is an immediate family member, or (b) the representative provides written notice to the firm, and the firm (after performing a reasonable assessment of the request) approves the request. Supplementary Material .02 to Rule 3241 defines "estate" to include any securities accounts held by the customer. In addition, Supplementary Material .06 to Rule 3241 states:

A registered person instructing or asking a customer to name another person to be a beneficiary of the customer's estate or to receive a bequest from the customer's estate would present similar conflict of interest concerns as the registered person being so named. Accordingly, a registered person instructing or asking a customer to name another person, such as the registered person's spouse or child, to be a beneficiary of the customer's estate or to receive a bequest from the customer's estate would not be consistent with paragraph (a)(1) of the Rule.

A violation of FINRA Rule 3241 is also a violation of FINRA Rule 2010, which requires that members and their associated persons “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

In December 2021, April 2022, and August 2022, Rahman facilitated Customer A’s designation of Rahman’s wife as a beneficiary of Customer A’s two Merrill Lynch accounts. Customer A was not Rahman’s family member and Rahman failed to provide written notice to the firm of Customer A’s designation of Rahman’s wife as Customer A’s beneficiary.

Therefore, Rahman violated FINRA Rules 3241 and 2010.

B. Rahman falsified Customer A’s beneficiary forms by identifying his wife as Customer A’s niece.

Falsification occurs when a person creates a document or entry in a firm’s system that creates a false appearance by including untrue or altered information. Falsification is inconsistent with just and equitable principles of trade and violates FINRA Rule 2010.

Rahman caused his wife to be falsely identified as Customer A’s niece on the three forms designating her as partial or sole beneficiary of Customer A’s accounts. Rahman engaged in this conduct to prevent his firm from identifying Customer A’s designation of his wife as a prohibited beneficiary designation.

Therefore, Rahman violated FINRA Rule 2010.

C. Rahman engaged in an undisclosed outside business activity by providing services to Customer A.

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.

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

From at least December 2021 through July 2023, Rahman engaged in an outside business activity by providing certain services to Customer A such as buying furniture, groceries, and clothing, driving Customer A to appointments, and sending Customer A’s mail to his relative (Relative B). Rahman told Customer A and Relative B that they could not

compensate him for these services directly because Customer A was his customer, but instead directed them to write checks to Rahman's wife, which they did, totaling at least \$116,000. Rahman did not provide prior written notice to or receive approval from his firm for his outside business activity.

Therefore, Rahman violated FINRA Rules 3270 and 2010.

D. Rahman accepted gifts from Customer A in circumvention of firm policy.

FINRA Rule 2010 establishes a broad ethical mandate. Unethical or bad-faith conduct violates this mandate, regardless of whether it involves a security. An associated person's circumvention of firm procedures, particularly those designed to protect customers, is conduct inconsistent with the high ethical standard required by Rule 2010.

In addition to the monetary compensation he received from Customer A as described above, Rahman also accepted monetary gifts from Customer A via payments from Customer A to vendors and credit card companies on Rahman's behalf. Merrill Lynch's policies prohibited employees from encouraging any gifts from customers and specifically prohibited employees from accepting cash or cash equivalents from customers. Rahman was aware of the firm's gift policies. Between August 2022 and July 2023, Rahman repeatedly told Customer A about Rahman's outstanding bills and accepted Customer A's payment of those bills totaling more than \$47,000, in violation of Merrill Lynch's policies. Rahman failed to disclose these gifts to the firm and falsely stated on compliance questionnaires that he had not received unreported gifts.

Therefore, Rahman violated FINRA Rule 2010.

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

- 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.

June 4, 2024

Date

Rahman

Imdadur Rahman
Respondent

Reviewed by:

Todd A. Holleman

Todd A. Holleman
Counsel for Respondent
Miller Johnson
500 Woodward Avenue, Suite 2800
Detroit, MI 48226

Accepted by FINRA:

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

June 10, 2024

Date

Carolyn O'Leary

Carolyn O'Leary
Senior Counsel
FINRA
Department of Enforcement
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