

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2013037257201**

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

RE: Betsy Marcom, Respondent  
General Securities Representative  
CRD No. 1338591

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Betsy Marcom (formerly Betsy Perryman) first became associated with a FINRA member firm in 1984 and she received her Series 6 registration in February 1985. Marcom became a General Securities Representative in October 1992 and a General Securities Principal in April 1993. During the course of her career in the securities industry, Marcom also obtained her Series 4, 26, 53, 63 and 65 licenses. Marcom has been associated with five FINRA member firms over the course of her career. Her association with NEXT Financial Group, Inc. ("NEXT" or the "Firm") began in January 2009. On November 18, 2015, the Firm filed a Form U5 on her behalf terminating her association with the Firm. Marcom is not currently associated with a FINRA member firm.

Although she is not currently associated with a FINRA member firm or registered with FINRA, Marcom is subject to the jurisdiction of FINRA, pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

## **OVERVIEW**

Between June 1, 2009 and August 31, 2012, Marcom made unsuitable investment recommendations to her client, HTCC, a non-profit parish church. Specifically, Marcom, who was also a member of HTCC's Finance Council, recommended that HTCC invest almost its entire portfolio in non-investment grade corporate bonds, which resulted in HTCC having an unsuitable concentration in such bonds. These recommendations were inconsistent with HTCC's investment objectives and risk tolerance. As a result, Marcom violated NASD Rule 2310 (before July 9, 2012) and FINRA Rule 2111 (on and after July 9, 2012), as well as FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

NASD Conduct Rule 2310(a) provides that "[i]n recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs."

FINRA Rule 2111(a), which superseded NASD Rule 2310 on July 9, 2012, also provides that an associated person must 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." Such information to be evaluated includes, among other things, the customer's financial situation and needs, investment objectives, and risk tolerance.

FINRA Rule 2010 requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rule 2310 and FINRA 2111 also constitutes a violation of FINRA Rule 2010.

HTCC has been a client of Marcom's since approximately 2000. In 2009, when Marcom moved to NEXT from another firm, the parish transferred their account to NEXT, which at the time held CDs and cash. HTCC's new account document at NEXT, which is dated February 12, 2009, states that HTCC's risk tolerance was conservative/growth and that its investment objectives were income and capital conservation.

Prior to June 2009, the parish's priest, DF, was the primary contact person for Marcom, and he typically approved trades for the HTCC account. After DF retired, from June 2009 through June 2012, investment decisions on behalf of HTCC were approved by the Finance Council (of which Marcom was a member) and the parish's business manager. No one on the Finance Council, other than Marcom, had any financial industry background.

Shortly after DF retired in June 2009, Marcom proposed to the Finance Committee that HTCC begin investing in non-investment grade bonds to generate a larger return in the account, and the Finance Council, relying on her expertise, accepted this recommendation.<sup>1</sup>

Beginning in July 2009, HTCC's account was invested increasingly in corporate bonds, with a particular emphasis on non-investment grade bonds. In February 2010, HTCC deposited more than \$110,000 in cash and blue-chip stocks into its NEXT account. The stocks were almost immediately sold and the proceeds were used to purchase additional holdings in non-investment grade bonds. By June 30, 2010, 90% of the assets in the HTCC account were invested in such bonds. By April 2011, this concentration reached 99% of the account's assets.

In August 2011, HTCC deposited an additional \$150,000 in cash into the account because the parish's cash in the bank was exceeding FDIC-insured levels. These funds were also invested primarily in non-investment grade bonds. By September 30, 2011, \$706,022, or approximately 45% of HTCC's liquid assets, was invested in non-investment grade bonds in the NEXT account. Ultimately, HTCC sustained approximately \$135,000 in realized losses as a result of its unsuitable holdings in non-investment grade bonds.

Moreover, on at least four occasions in 2011, Marcom recommended that HTCC sell bonds within three months of maturity, which resulted in HTCC receiving approximately \$3,661 less than it would have had if it held the bonds to maturity.

Accordingly, Marcom's recommended non-investment grade bonds that were not suitable for HTCC's risk tolerance, investment objectives, or financial situation; unsuitably concentrated HTCC's account in such bonds, and unsuitably sold such bonds within three months of maturity. As a result, Marcom violated NASD Rule 2310 (before July 9, 2012), FINRA Rule 2111 (on and after July 9, 2012) and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

A fine of \$15,000 and a four-month suspension from association with any FINRA member firm in all capacities.

The fine shall be due and payable either immediately upon reassociation with a member firm following the four-month suspension noted above, 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.

I specifically and voluntarily waive any right to claim that I am unable to

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<sup>1</sup> "Investment Grade" is defined as a credit rating denoting only minimal risk for investors, and encompasses bonds rated BBB and above. Bonds that are rated BB, B, CCC, CC, C, and below are considered non-investment grade, or "junk" bonds. They are also frequently referred to as "high-yield" bonds.

pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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 herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudice 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 acceptance or rejection of this AWC.

I further specifically and voluntarily waive 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

I understand 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 me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 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 the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

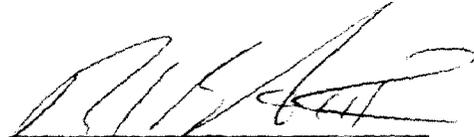
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the

terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me [the Firm] to submit it.

11-19-15  
Date

Betsy Marcom  
Respondent Betsy Marcom

Reviewed by:



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Counsel for Respondent  
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Accepted by FINRA:

12/30/2015  
Date

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

Michael P. Manly  
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