

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043089903**

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

RE: Marla Chidsey Roeser, Respondent
General Securities Principal and Former General Securities Representative
CRD No. 5433417

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

Marla Chidsey Roeser first became associated with City National Securities ("CNS") in October 2007, registered through CNS as a General Securities Representative in November 2007, and registered through CNS as a General Securities Principal in December 2007. Roeser's registrations were terminated on January 29, 2016. Although Roeser is not currently associated with a member firm, FINRA retains jurisdiction over her pursuant to Article V, Section 4 of FINRA's By-Laws. Roeser has no relevant disciplinary history.

OVERVIEW

From March 2008 through September 2014 (the "relevant period"), Roeser, the OSJ branch manager and supervisor of the Maryland branch of CNS, failed to reasonably supervise CNS registered representative DZ regarding his compliance with FINRA rules requiring his disclosure to CNS of outside business activities and private securities transactions. During the relevant period, Roeser was aware

that DZ engaged in outside business activities and engaged in private securities transactions. Although DZ had disclosed some information relating to these activities to a registered investment advisor firm affiliated with CNS (the "RIA"), DZ had failed to disclose them to CNS as required by NASD Rules 3030 and 3040 and FINRA Rule 3270. By failing to take reasonable steps to ensure that DZ made disclosures to CNS as required by FINRA rules, Roeser violated NASD Rules 3010¹ and 2110² and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 required FINRA members to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated persons that was reasonably designed to achieve compliance with applicable securities laws and regulations. Under NASD Rule 3010, an individual supervisor is responsible for reasonable supervision and must investigate "red flags" that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of NASD Rule 3010 was also a violation of NASD Rule 2110 and FINRA Rule 2010.

NASD Rule 3030 and its successor, FINRA Rule 3270, require registered persons to provide written notice of any business activity outside the scope of their relationship with their employer firms. Similarly, NASD Rule 3040 required associated persons to provide written notice of any securities transactions outside the scope of their employment with their firms. Specifically, that written notice had to "describe[e] in detail the proposed transaction and the person's proposed role therein and stat[e] whether he has received or may receive selling compensation in connection with the transaction."

DZ's Outside Activities

During the relevant period, CNS registered representative DZ was involved in several business activities other than his registration with CNS and employment at the RIA, including serving as the managing member of a limited liability company that was an investment fund he operated for his friends, family, and himself (the "investment fund"). Individuals transferred money to the investment fund, and DZ placed trades on behalf of the investment fund through outside brokerage accounts. In October 2014, after Roeser elevated issues with DZ and the investment fund to personnel at CNS's home office and its parent company, Roeser commenced an internal investigation that discovered DZ had misrepresented the value of the investment fund in an attempt to conceal losses

¹ NASD Rule 3010 was superseded by FINRA Rule 3110 as of December 1, 2014. Because the conduct at issue occurred before December 1, 2014, NASD Rule 3010 is applicable.

² NASD Rule 2110 was superseded by FINRA Rule 2010 as of December 15, 2008. Because the conduct at issue occurred before and after December 15, 2008, both rules apply.

the investment fund had incurred in 2007, and that the investment fund was worth a fraction of the value DZ represented to fund investors.³

Roeser's Failure to Supervise

During the relevant period prior to the investigation, Roeser had been aware of the investment fund, which DZ had been running before he became associated with CNS. He discussed the investment fund and his involvement with it with Roeser and various people associated with CNS and the RIA, and the investment fund was disclosed on the RIA's Form ADV. In addition, at least one individual associated with CNS invested in the investment fund, and DZ used resources of the RIA to conduct business on behalf of the investment fund, such as making trades, sending wires, and emailing with fund investors.

DZ engaged in extensive outside business activities through the investment fund, but he did not formally provide CNS adequate written notice of the investment fund as required by NASD Rule 3030 and FINRA Rule 3270. DZ also failed to list the investment fund as an outside business activity on his Uniform Application for Securities Industry Registration or Transfer ("Form U4"). Although Roeser was aware of the investment fund, she did not conduct any analysis to determine whether the investment fund was an outside business that DZ needed to disclose, nor did she attempt to cause DZ to disclose the outside business to CNS and update his Form U4. As a result, DZ's outside businesses were not reviewed or evaluated by CNS (including under FINRA Rule 3270), and his outside businesses were not disclosed on his Form U4 as required.

In addition, DZ did not provide CNS any written notice of the private securities transactions he conducted in connection with the investment fund, or written notice describing in detail the transactions, his role in the transactions, and whether he received compensation for the transactions. During the relevant period, however, Roeser knew that individuals had invested in the investment fund, including at least one associated person of CNS and clients of the RIA, and that DZ then traded on behalf of the investment fund through outside brokerage accounts. Nevertheless, Roeser did not conduct any analysis to determine whether these transactions were private securities transactions that DZ needed to disclose, nor did she attempt to cause DZ to disclose the private securities transactions in writing.

During the relevant period, Roeser failed to investigate red flags indicating that DZ was not complying with securities rules and regulations requiring disclosure of his outside activities and private securities transactions, or take appropriate action in light of those red flags. Roeser knew that DZ engaged in outside business activities and participated in private securities transactions. Roeser nevertheless failed to take reasonable steps to ensure that DZ complied with applicable securities laws and rules requiring disclosure of outside business

³ DZ passed away on October 15, 2014.

activities and private securities transactions to his broker-dealer, CNS.

Based on the foregoing, Roeser violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

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

- a suspension in a principal capacity for four months; and
- a fine in the amount of \$10,000.

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.

I specifically and voluntarily waive any right to claim that I am unable to 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 in a principal capacity, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 to submit it.

01/24/2018
Date (mm/dd/yyyy)

Marla Chidsey Roeser
Respondent

Marla Chidsey Roeser

Reviewed by:

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Accepted by FINRA:

1/25/2018
Date

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

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