

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053436101**

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

RE: Raymond John Pirrello, Jr., Respondent
Former Registered Representative
CRD No. 2782019

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

Pirrello first entered the securities industry in 1996. In 2008, Pirrello became registered through Garden State Securities, Inc. (BD No. 10083) (“Garden State” or the “Firm”) as a General Securities Representative and a General Securities Principal.

On May 20, 2016, Garden State filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) terminating Pirrello’s employment because he “[e]ntered into a promissory note with a customer without disclosing to the firm.” On March 5, 2018, Garden State filed an amended Form U5 for Pirrello that disclosed for the first time a customer arbitration alleging that Pirrello, while associated with Garden State, engaged in “unauthorized trading, negligence, [and] unsuitability.”

Pirrello is not currently registered or associated with any FINRA member firm. However, Pirrello remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

RELEVANT DISCIPLINARY HISTORY

Pirrello has no disciplinary history with the Securities and Exchange Commission, any state securities regulator, FINRA, or any other self-regulatory organization.

OVERVIEW

From 2008 through 2015, Pirrello exchanged numerous business-related text messages, using his personal cell phone, and business-related emails, using an unauthorized personal email address, with one of his customers at Garden State. Pirrello did not retain any of these customer communications or provide them to Garden State. When asked under oath about his use of text messages with customers, Pirrello provided misleading on-the-record testimony stating that he did not send text messages to his customers.

In 2011, Pirrello received a written complaint from a customer alleging that he failed to follow the customer's instructions and caused \$300,000 in losses. Pirrello did not timely amend his Form U4 to disclose this complaint. Later that year, Pirrello paid \$50,000 to the customer in an attempt to settle the complaint. Between 2009 and 2015, Pirrello also paid \$388,000 to another customer in an attempt to settle complaints made by that customer. Pirrello did not tell Garden State about these complaints or his efforts to settle them.

As a result of this conduct, Pirrello violated NASD Rule 3110(a) and FINRA Rule 4511; FINRA Rule 8210; FINRA Rule 1122 and Article V, Section 2(c) of FINRA's By-Laws; and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Books and Records

FINRA Rule 4511 requires each member to make and preserve books and records in conformity with FINRA rules, the Securities Exchange Act of 1934 ("Exchange Act") and rules promulgated thereunder.¹ Exchange Act Rule 17a-4(b)(4) requires each member to preserve for a period of three years the originals of all communications received and copies of all communications sent by the member relating to its business. A registered representative who causes his or her member firm to fail to comply with its recordkeeping obligations under the Exchange Act and Exchange Act and FINRA rules violates FINRA Rules 4511 and 2010.

Between 2008 and 2015, Pirrello sent and received hundreds of text messages

¹ FINRA Rule 4511 replaced NASD Rule 3310(a) effective December 5, 2011. NASD Rule 3110(a) likewise required members to make and preserve books and records in conformity with the Exchange Act and Exchange Act Rules 17a-3 and 17a-4.

using his personal cell phone and emails using his personal email account to engage in Firm-related business with his customer at Garden State, TA. These communications included a written complaint by TA alleging that Pirrello failed to follow TA's instructions regarding liquidating a position in his account. Garden State's written supervisory procedures did not permit use of text messages or personal email for business communications with customers. Pirrello took no steps to retain or provide to Garden State any of the text messages or emails he exchanged with TA, all of which were deleted. Pirrello further hid his use of text messages and personal email by signing Garden State compliance attestations between 2011 and 2015 falsely attesting that he used only Firm-sanctioned electronic communication methods to communicate with Firm customers.

Pirrello's use of text messaging and his personal email account to engage in business-related communications with TA caused Garden State to fail to comply with its recordkeeping obligations under the Exchange Act and Exchange Act and FINRA rules.

By virtue of the foregoing, Pirrello violated NASD Rule 3110(a) and FINRA Rules 4511 and 2010.

Misleading On-the-Record Testimony

FINRA Rule 8210(a) permits FINRA staff to "require a member, person associated with a member, or any other person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically. . .with respect to any matter involved in the investigation, complaint, examination, or proceeding." A registered person who provides inaccurate information to FINRA staff in response to a request for information issued pursuant to FINRA Rule 8210 violates FINRA Rules 8210 and 2010.

In January 2012, during on-the-record testimony taken by FINRA staff pursuant to Rule 8210, Pirrello testified that he did not send text messages to his customers. In fact, Pirrello sent hundreds of text messages to his customers, and was actively engaging in Firm-related business by text message in 2011 and 2012.²

By virtue of the foregoing, Pirrello violated FINRA Rules 8210 and 2010.

Willful Failure to Disclose Customer Complaint on Form U4

Article V, Section 2(c) of FINRA's By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments, which must be filed within thirty days after learning of the facts or circumstances giving rise to the amendment. FINRA Rule 1122 provides that no

² In considering the appropriate sanction for Pirrello's misleading on-the-record testimony, FINRA considered that during subsequent on-the-record testimony, Pirrello clarified his prior testimony and admitted that he did send text messages to his customers in 2012.

member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof. A violation of Article V, Section 2(c) of the FINRA By-Laws and FINRA Rule 1122 constitutes a violation of FINRA Rule 2010.

At all relevant times, Question 14I(3) of FINRA's Form U4 asked, in relevant part:

Within the past twenty four (24) months, have you been the subject of an investment-related, consumer-initiated, written complaint, not otherwise reported under question 14I(2) above, which: (a) alleged that you were involved in one or more sales practice violations and contained a claim for compensatory damages of \$5,000 or more....

On July 11, 2011, Pirrello's customer TA sent him an email alleging that as a result of Pirrello's misconduct, including failure to follow TA's instructions, TA suffered approximately \$300,000 in damages. Pirrello was required, within 30 days of his receipt of TA's complaint on July 11, 2011, to amend his Form U4 to answer "yes" to Question 14I(3) above. However, Pirrello never amended his Form U4 to disclose the complaint by TA. Instead, in the 24 months following TA's complaint, Pirrello signed five incomplete and misleading Form U4 amendments that did not disclose TA's complaint. Pirrello further hid TA's complaint from Garden State by signing compliance attestations between 2011 and 2015 falsely attesting that he had complied with his obligation to update his Form U4 and had reported all customer complaints to the Firm.

By virtue of the foregoing, Pirrello violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

Settling Away

FINRA Rule 2010 requires that a member, in the conduct of his business, "shall observe high standards of commercial honor and just and equitable principles of trade." Settling or attempting to settle a customer loss or complaint without the knowledge or consent of a registered representative's employer firm is conduct inconsistent with just and equitable principles of trade.

In November 2011, Pirrello paid his customer TA \$50,000 by check in an attempt to settle TA's complaints regarding his account at Garden State. Pirrello did not tell Garden State about TA's complaints or his payment to TA.

Additionally, between 2009 and 2015, Pirrello paid \$388,000 to JV, another customer at Garden State, in an attempt to resolve JV's complaints. Pirrello did

not tell Garden State about JV's complaints or the payments to JV.

Pirrello further hid his payments to TA and JV from Garden State by signing compliance attestations between 2011 and 2015 falsely attesting that he had not settled away any customer complaints.

By virtue of the foregoing, Pirrello twice violated FINRA Rule 2010.

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

- An 18-month suspension from association with any FINRA member firm in any capacity; and
- A \$20,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment are due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

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 this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

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.

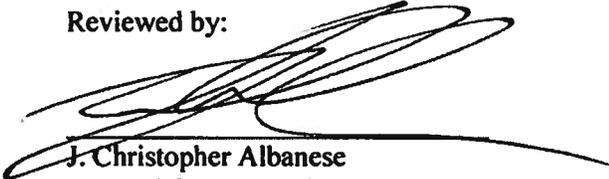
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute 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 to submit it.

10/24/18
Date (mm/dd/yyyy)


Raymond John Pirrello, Jr., Respondent

Reviewed by:



J. Christopher Albanese
Counsel for Respondent
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Accepted by FINRA:

11/20/2018
Date

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



Kevin Hartzell
Principal Counsel
FINRA Department of Enforcement
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