

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066345701**

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

RE: Christopher J. Passero (Respondent)
Investment Company and Variable Contracts Products
Representative and General Securities Representative
CRD No. 2517681

Pursuant to FINRA Rule 9216, Respondent Christopher J. Passero 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

Passero first became registered with FINRA in October 1994 as an Investment Company and Variable Contracts Products Representative (IR) through an association with Money Concepts Capital Corp. (MCC) (CRD No. 12963). From April 1998 through May 1998, Passero was registered with FINRA as an IR through an association with a different member firm. In May 1998, Passero again registered with FINRA as an IR through an association with MCC. In August 2000, Passero registered with FINRA as a General Securities Representative (GS) through an association with MCC. Passero currently remains registered with FINRA through MCC in those capacities.¹

OVERVIEW

Between July 2010 and February 2020, while associated with MCC, Passero made 990 payments to nine firm customers totaling \$249,560 to compensate them for losses associated with investments that Passero had recommended. By making these payments, which were not authorized by MCC, Passero shared in his customers' losses in violation of FINRA Rules 2150(c) and 2010.

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

In May 2015, Passero loaned \$10,000 to a firm customer, which was not authorized by MCC. By making the unapproved loan to a customer, Passero violated FINRA Rules 3240 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the receipt of a FINRA Rule 4530 disclosure from MCC on March 26, 2020, which stated that Passero was the subject of an arbitration claim filed by firm customers.

A. Passero Shared in His Customers' Losses

FINRA Rule 2150(c)(1)(A) states, in pertinent part, that no person associated with a member shall share directly or indirectly in the "losses in any account of a customer carried by the member or any other member[,]" unless that associated person: (a) obtains prior written authorization from the member employing the associated person, (b) obtains the customer's prior written authorization, and (c) shares in the losses of customers who are not immediate family members "only in direct proportion to the financial contributions" to such account by either the associated person or the member employing the associated person. A violation of FINRA Rule 2150 is also a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Between 2006 and 2008, Passero recommended that many of his customers invest in a real estate investment trust (REIT A). In 2010, REIT A re-stated its value, causing a decline in its share price and a reduction in the monthly dividends it paid to customers. In August 2018, REIT A made its final cash distribution to customers. Many of Passero's customers incurred losses on their REIT A investments notwithstanding the distributions and dividends they received.

Passero began making payments to certain of his MCC customers shortly after REIT A's re-statement in value in 2010 and those payments continued through February 2020. During this period, Passero made payments to nine MCC customers to compensate them for the reduction in monthly dividends. Passero made 990 payments totaling \$249,560 to the nine MCC customers, all of whom invested in REIT A. Passero made the payments on a monthly basis and in various forms, including personal checks.

At the time of each of the payments, MCC's written supervisory procedures (WSPs) prohibited representatives from sharing, directly or indirectly, in customers' investment losses unless the firm authorized the arrangement. Passero did not tell MCC about the payments to his customers or seek authorization before he made them. MCC only discovered the payments when Passero's customers filed an arbitration claim.

From 2010 to 2020, Passero also completed and submitted to the firm compliance questionnaires in which he falsely stated that he did not share directly or indirectly in customers' losses.

By sharing in losses incurred by the nine customers without MCC's prior knowledge or authorization, Passero violated FINRA Rules 2150(c) and 2010.

B. Passero Loaned Money to a Firm Customer

FINRA Rule 3240(a) prohibits registered persons from borrowing from or lending money to his or her customer unless (1) the member firm employer has written procedures that permit the borrowing and lending of money between registered representatives and customers, and (2) the borrowing or lending arrangement meets at least one of five circumstances specified in the rule. Even if these requirements are satisfied, FINRA Rule 3240(b) requires registered representatives to seek and obtain prior written approval from the firm, unless the firm's procedures provide otherwise. A violation of FINRA Rule 3240 also constitutes a violation of FINRA Rule 2010.

In May 2015, Passero loaned \$10,000 to a firm customer to assist the customer in paying a tax liability. At the time of the loan, MCC's WSPs prohibited representatives from loaning money to customers without the firm's prior authorization. Passero did not notify MCC about the loan to his customer. Additionally, in 2015, Passero completed and submitted to the firm a compliance questionnaire in which he falsely stated that he did not loan money to customers.

By failing to obtain MCC's authorization to make the loan, Passero violated FINRA Rules 3240 and 2010.

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

- A three-month suspension from associating with any FINRA member in all capacities; and
- a \$10,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

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.

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

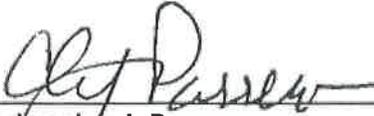
Respondent understands that:

- 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.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

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.

3/23/2022
Date



Christopher J. Passero
Respondent

Reviewed by:



Charlotte A.H. Norris, Esq.
Counsel for Respondent
Jenkins Fenstermaker, PLLC
325 8th Street
Huntington, West Virginia 25701

Accepted by FINRA:

4/11/2022
Date

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



Michael Dorfman-Gonzalez
Principal Counsel
FINRA Department of Enforcement
Brookfield Place, 200 Liberty Street
New York, NY 10281-1003

CORRECTIVE ACTION STATEMENT

ON BEHALF OF CHRISTOPHER J. PASSERO (CRD NO. 2517681)

FINRA MATTER NO. 2020066345701

This Corrective Action Statement is submitted by the Respondent, Christopher J. Passero (CRD No. 2517681). It does not constitute factual or legal findings by FINRA, nor does it reflect the view of FINRA, or its staff.

Since disclosing to Money Concepts Capital Corp. (MCC) (CRD No. 12963) the payments he made to nine (9) customers, Christopher J. Passero has taken the following continuing education courses (assigned by MCC's Compliance Department). Certificates for each completed course are attached:

- Gifts and Entertainment (Course No. 237627) (completed 5/23/2020)
- REITs: Risks, Benefits, Distribution and Suitability (Course No. 377) (completed 2/14/2022)
- Whether REITs are Right or Wrong (Course No. 836) (completed 2/14/2022)
- Annuity Suitability and Disclosure (Course No. 390-MN) (completed 3/21/2022)
- Suitability of Annuity Transactions Under Best-Interest Standard, 2nd Ed. (Course No. 176-2) (completed 3/21/2022)
- Sales Practices for Senior Clients (Course No. 963) (completed 3/23/2022)
- Anti-Money Laundering- General (Course No. 3514) (completed 3/23/2022)
- Cybersecurity- Threats & Trends (Course No. 933) (completed 3/23/2022)

In addition to the formal coursework, MCC's Chief Compliance Officer met with Mr. Passero in May 2020 for a one-on-one compliance training to review MCC's policies and procedures. Among the issues discussed were the applicable rules, exemptions, and reporting requirements when giving a gift to a client; managing conflicts of interest; ensuring all customer transactions are authorized, suitable, and properly documented (including client signatures); and, ethical handling of customer accounts. Mr. Passero also was placed on heightened supervision.

Mr. Passero experienced serious health issues in 2020 and 2021. These issues prevented him from attending additional courses and substantially limited his ability to work.

Mr. Passero met again with MCC's Chief Compliance Officer and other MCC principals in January 2022. His heightened supervision was extended through at least May 31, 2022.

The heightened supervision includes an in-person audit by MCC's Compliance principal within the first two quarters of 2022, during which Mr. Passero must be present. Additionally, prior to making a recommendation in any alternative investments, Mr. Passero must contact MCC's principal to discuss Mr. Passero's reasoning behind the proposed recommendation. Mr. Passero understands that MCC, at the principal's discretion, may require a written statement signed by the

client, outlining the client's understanding of the lack of liquidity with the investment; the risks involved; the client's time horizon; their investment objective; and, the reasons they want to continue with the transaction. Such written statement from the client would be in addition to the signed Disclosure Statement. Further, Mr. Passero understands that MCC may call the client to verify the details provided on the New Account Form, evaluate the client's understanding of the offering's features (*e.g.* holding period, liquidity events, etc.), and ask the client to verbally confirm they want to continue to invest in the offering.