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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No. S-20-2957-22-CO01
whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
David Snavelly (CRD 2030866),)
)
Respondent.)

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INTRODUCTION

9 On December 7, 2021, the Securities Administrator of the Securities Division of the Department of
10 Financial Institutions (Securities Division) issued a Statement of Charges and Notice of Intent to Enter an
11 Order to Deny Registrations, Impose a Fine, and Recover Costs (Statement of Charges), Order Number S-20-
12 2957-21-SC01, against David Snavelly, CRD No. 2030866. Pursuant to the Securities Act of Washington,
13 RCW 21.20, the Securities Division and David Snavelly hereby enter into this Consent Order in settlement of
14 the matters set forth in the Statement of Charges and as alleged below. Respondent David Snavelly neither
15 admits nor denies the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondent

18 1. Between April 2011 and March 2020 David Snavelly was employed at Cetera Advisors, LLC
19 (Cetera). His employment at Cetera was terminated after Cetera received allegations that he sold unsuitable
20 annuities as part of replacement transactions. His Central Registration Depository (CRD) number is 2030866.

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Nature of the Conduct

22 2. Snavelly's securities business was focused on retirement income planning, and the majority of
23 his securities business was in variable annuity sales and exchanges. From February 2017 to September 2019,
24 while employed at Cetera, Snavelly recommended that 25 Washington residents purchase or exchange 36
25 variable annuities. Snavelly's customers were seniors and ranged in age from 61 to 80. Some of Snavelly's

1 variable annuity recommendations were unsuitable. Snavelly received approximately \$373,862 in
2 commissions as a result of these transactions.

3 *Suitability*

4 3. Because of the cost and complexity associated with a variable annuity, a securities salesperson
5 must exercise particular care to ensure that the purchase or exchange of one is suitable for a customer before
6 recommending it. FINRA rule 2111 requires a salesperson to have a reasonable basis to believe that a
7 transaction is suitable for a customer. To fulfill the suitability obligation, the representative must understand
8 the potential risks and rewards associated with the recommended security or strategy and how they impact the
9 customer. In at least two of the transactions, Snavelly did not fully understand all of the restrictions of the
10 recommended variable annuity. In one situation, Snavelly recommended that the customer exchange a variable
11 annuity for an annuity that did not allow annuitization for two years. Snavelly did not realize that there was a
12 restriction until after the annuity had been exchanged. In another situation, Snavelly placed a customer's funds
13 in a fixed account intending to switch back to the variable accounts in a relatively short amount of time.
14 Despite knowing that the annuity contract restricted funds from being switched out of the fixed account for a
15 12 month period, Snavelly did not believe that the insurance company would enforce this restriction.

16 4. A factor to be considered in determining the suitability of a variable annuity is whether the
17 customer has a need for liquidity. Variable annuities are considered long-term investments with limited
18 liquidity. They have a deferred sales charge, also known as a surrender fee, which penalizes the customer for
19 making withdrawals or surrendering the policy during the surrender period except in limited circumstances.
20 The surrender period usually ranges from 5 to 10 years.

21 5. In at least two instances, customers needed liquidity to pay living expenses. When the
22 customers' liquidity needs increased to an amount greater than that allowed by the rider on their existing
23 annuities, these customers had to surrender the variable annuities and incurred a penalty. When this happened,
24 Snavelly nonetheless recommended that they exchange their annuities for another annuity with a longer
25 surrender period instead of a more liquid investment product.

1 Based upon the foregoing and finding it in the public interest:

2 **CONSENT ORDER**

3 IT IS AGREED AND ORDERED that Respondent David Snavely, and their agents and employees,
4 shall cease and desist from violating RCW 21.20.702, the suitability section of the Securities Act of
5 Washington.

6 IT IS AGREED AND ORDERED that Respondent David Snavely shall not make application for, nor
7 be granted, any investment adviser, investment adviser representative, broker-dealer, or securities salesperson
8 registration for a period of two years, such period having been completed on April 28, 2022 and prior to the
9 entry of this Consent Order.

10 IT IS AGREED AND ORDERED that before any application by Respondent David Snavely for
11 registration as an investment adviser representative or securities salesperson will be approved, Respondent's
12 sponsoring firm must provide the Securities Division with an acceptable plan of supervision that is specific
13 to Snavely's securities business. Such plan must be in place for at least two years, and Securities Division
14 must be notified before the plan is modified or terminated.

15 IT IS AGREED AND ORDERED that Respondent David Snavely shall be liable for and pay a fine in
16 the amount of \$15,000 on or before entry of this Consent Order.

17 IT IS AGREED AND ORDERED that Respondent David Snavely shall be liable for and pay costs in
18 the amount of \$1,000 on or before entry of this Consent Order.

19 IT IS AGREED AND ORDERED that this order is not a final order based on violations of any laws
20 or regulations that prohibit fraudulent, manipulative or deceptive conduct.

21 IT IS AGREED that this order may not be presented as evidence in any legal proceeding in civil courts
22 or arbitration, except by the Securities Division in actions arising from or relating to a violation of this order.

23 IT IS AGREED that Respondent David Snavely enters into this Consent Order freely and voluntarily
24 and with a full understanding of its terms and significance.

25 IT IS AGREED that the Securities Division has jurisdiction to enter this order.

1 IT IS AGREED that in consideration of the foregoing, the Respondent waives their right to a hearing
2 and to judicial review of this matter pursuant to Chapter 34.05 RCW.

3 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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5 Signed this 12th day of September 2022.

6 Signed by:

Approved as to form by:

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9 /s/
David Snavely, Individually

/s/
John A. Bender, Attorney for Respondent

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11 SIGNED and ENTERED this 28th day of September 2022.

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13 /s/
14 William M. Beatty



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17 Securities Administrator

18 Approved by:

Presented by:

19
20 /s/
21 Brian Guerard
22 Chief of Enforcement

/s/
23 Holly Mack-Kretzler
24 Financial Legal Examiner Supervisor