

# **Bond Case Briefs**

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## **FINRA Fines Oppenheimer \$675,000 and Orders Restitution of More Than \$246,000 for Charging Unfair Prices in Municipal Securities Transactions and for Supervisory Violations.**

WASHINGTON — The Financial Industry Regulatory Authority (FINRA) announced today that it has fined Oppenheimer & Co., Inc. \$675,000 for charging unfair prices in municipal securities transactions and for failing to have an adequate supervisory system. FINRA also ordered Oppenheimer to pay more than \$246,000 in restitution, plus interest, to customers who were charged unfair prices. In addition, FINRA fined Oppenheimer's head municipal securities trader, David Sirianni, \$100,000, and suspended him for 60 days.

Thomas Gira, FINRA Executive Vice President and Head of Market Regulation, said, "FINRA has no tolerance for firms or individuals who charge customers excessive markups. Oppenheimer charged customers unfair prices in numerous municipal securities transactions and failed to properly supervise municipal securities transactions with its customers."

FINRA found that from July 1, 2008, through June 30, 2009, Oppenheimer, through Sirianni, priced 89 customer transactions from 5.01 percent to 15.57 percent above the firm's contemporaneous cost. In 54 of those transactions, the markups exceeded 9.4 percent. Sirianni purchased municipal securities from a broker-dealer on Oppenheimer's behalf, held the bonds in inventory for at least overnight, and then made the bonds available for resale at an unfair price to the firm's customers. Sirianni was responsible for determining the prices paid by customers in the 89 transactions.

Oppenheimer failed to detect the unfair prices charged. Oppenheimer's supervisory system was deficient because supervisory personnel relied solely on a surveillance report that only captured intra-day transactions to review the fairness of markups/markdowns in municipal securities transactions. From at least 2005 through June 30, 2009, if an Oppenheimer trader purchased municipal securities and held those securities in inventory for a day or longer, the subsequent sales to customers would not populate the firm's surveillance report or be subjected to a fair pricing review.

In concluding this settlement, Oppenheimer and Sirianni neither admitted nor denied the charges, but consented to the entry of FINRA's findings.