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Oppenheimer One of 7 Firms FINRA Fines Over Minimum Denominations.

WASHINGTON — Oppenheimer & Co., WFG Investments, and E*TRADE are three of seven firms that the Financial Industry Regulatory Authority fined a total of \$412,500 for trading municipal securities below the minimum denomination.

The cases were included in FINRA's monthly disciplinary actions released on Tuesday. FINRA also imposed a total of \$90,000 in fines against New York City-based BGC Financial, L.P. and Memphis-based Duncan-Williams, Inc. for failures in reporting muni transactions as well as a \$225,000 fine against Oppenheimer in New York City for supervisory failures.

Aside from its \$200,000 fine against Oppenheimer, FINRA's other fines tied to trading below the minimum denomination ranged from \$25,000 to \$42,500 and were lower than fines the Securities and Exchange Commission previously levied for similar misconduct.

The SEC charged 13 firms in 2014 for selling Puerto Rico bonds in denominations below the \$100,000 set minimum. Those firms paid fines ranging between \$54,000 and \$130,000. The SEC also penalized StateTrust Investment, Inc. \$90,000 in 2015 for trading below an issuer's specified minimum denomination.

Minimum denominations usually range from \$5,000 to \$100,000 depending on the issuer's assessment of how suitable the bonds are for retail and institutional investors. The minimums found in the wide array of CUSIPs listed in FINRA's recent citations fell throughout that range but many were set at the \$100,000, meaning they were suitable only for institutional investors.

Oppenheimer's \$200,000 fine was by far the largest of the seven FINRA charged. The regulator found that between January 1, 2012 and June 24, 2014, Oppenheimer executed 148 transactions in municipal securities in amounts lower than the established minimum denominations. The conduct was found to have violated the Municipal Securities Rulemaking Board's Rule G-15 on confirmation, clearance, settlement, and other uniform requirements with respect to transactions with customers. FINRA also found that Oppenheimer's failure to inform its customers of the trades below the minimum denomination violated MSRB's Rule G-17 on fair dealing.

Dallas-based WFG Investments, New-York based E*TRADE, and Salt Lake City-based Zions Direct, Inc. were each fined \$42,500 for their trading below the minimum denomination. Zions executed 12 trades below the established minimums between January 1, 2012 and May 1, 2015, WFG executed 19 transactions below the issuers' denominations between January 1, 2014 and April 30, 2015, and E*TRADE's violations involved 14 transactions between January 1, 2012 and May 1, 2015. FINRA found the firms violated MSRB Rules G-15 and G-17, as well as MSRB Rule G-27 on supervision because they did not have appropriate supervisory procedures to catch trades below minimum denominations.

FINRA also fined New York-based Beech Hill Securities and Morristown, N.J. -based Securevest Financial Group \$30,000 for trading munis below set minimum denominations. Securevest's

violations involved 27 customer transactions between January 1, 2012 and May 1, 2015 and Beech Hill's were in connection with 12 trades January 1, 2012 and March 31, 2015, FINRA found. Both firms were also cited for violating MSRB Rules G-15, G-17, and G-27.

FINRA also levied a \$25,000 fine against Seattle-based National Securities Corp., which FINRA found executed 17 customer transactions below established minimums between January 1, 2012 and March 31, 2015 and violated MSRB Rule G-15.

Oppenheimer was also fined \$225,000 separately for supervisory failures between January 1, 2009 and September 20, 2014. FINRA found that during that time, Oppenheimer held about 85 short positions in tax-exempt munis that corresponded to long positions in customer accounts. The short positions mainly resulted from trading and operational errors at the firm's retail branch level and trading accounts. In the event of short positions, Oppenheimer would cover the short position and pay taxable interest to the customer. The short position would also move to a branch error account or firm trading account, depending on the part of the firm where the error occurred.

FINRA found that Oppenheimer did not have procedures in place to adequately follow through on the payments to the customers and because of that, many payments were delayed from several months to a year. The procedures the firm had in place also misidentified the interest customers were paid as tax-exempt when it was actually taxable.

Starting in 2013, Oppenheimer recognized the positions were not being covered in a timely way and that the customers were receiving inaccurate information about the tax status of the paid interest. Oppenheimer then started instituting procedures to properly report and cover short positions and has had discussions with the Internal Revenue Service about making payments to protect the affected customers from having to pay additional federal income tax.

FINRA found that Oppenheimer's failures violated MSRB Rules G-27, G-17, and G-8 on books and records.

In the separate citations against the companies with muni transaction reporting failures, FINRA fined Duncan-Williams \$50,000 and BGC \$40,000.

The self-regulator found that between April 1, 2014 and June 30, 2014, BGC submitted 73 transaction reports to the MSRB's Real-time Transaction Reporting System that contained inaccurate information. FINRA found BGC failed to maintain its records of the analysis done to make sure the securities represented fair market value.

Duncan-Williams was found to have failed to report the correct time of trade to RTRS in 32 muni transaction reports between January 1, 2013 and March 31, 2013. The transactions amounted to 2.03% of the transactions the firm reported during that period.

Both firms were found to have violated MSRB Rules G-8, G-27, and G-14 on reports of sales or purchases.

In addition to citations against firms, FINRA also announced it has barred two individuals, Glenn Nicholas Caruso of East Meadow, N.Y. and Edward Joseph Vierling Sr. of Garden City, N.Y. from having any association with FINRA because of failures to provide testimony regarding relevant municipal bond trading the self-regulators was investigating.

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