STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

First Standard Financial Company, LLC
(CRD No. 168340),

Respondent.

SUMMARY REVOCATION ORDER

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law") and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities ("Bureau"), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Revocation Order ("Order") against First Standard Financial Company, LLC ("First Standard") and makes the following findings of fact and conclusions of law:

INTRODUCTION

First Standard has engaged in a fraudulent course of business that consisted of excessive, unsuitable, and frequently unauthorized short-term trading in customer accounts that generated commissions for First Standard and its agents at its customers' expense.

First Standard knew or had reason to know of the potential for misconduct by its agents. First Standard hired agents with numerous customer complaints and regulatory problems, including customer complaints of unauthorized trading, unsuitable trading, and fraud. Despite the known histories of its agents, First Standard failed to take necessary steps to prevent the widespread and relentless "in-and-out" trading of its customers' accounts by its agents. In fact, First Standard was keenly aware of the conduct, as evidenced by the numerous customer complaints and customer initiated arbitration filings, daily trade reports, exception reports, and regulatory inquiries. Yet, First Standard's default responses were to defend its actions or buy off complainants with minor commission refunds, while continuing to reap the benefits of its on-going fraud. First Standard's systemic, fraudulent trading scheme unjustly enriched First Standard and its agents in an amount greater than $28.7 million in commissions and sales charges.

The Bureau has taken action against a number of First Standard agents, including having summarily revoked the agent registrations of Gabriel Block, Philip Sparacino, and Philip Noto. It has also imposed several heightened supervision agreements upon First Standard agents, including Levert Caldwell. Now, in the wake of a mass exodus of First Standard agents and increased customer complaints, the Bureau issues this Summary Order of Revocation against First Standard.

FINDINGS OF FACT

Background

A. Respondent

1. First Standard (CRD No. 168340) has been registered with the Bureau as a broker-dealer since August 15, 2014, and maintains a main office address of 21 East Front Street, Suite 100, Red Bank, New Jersey.

2. As of December 31, 2018, First Standard had forty-four agents registered with the

Bureau and had other branch offices in New York. But, more recently, it has seen an exodus of agents and principals leaving to join other broker-dealers or leaving the industry altogether. On September 18, 2019, First Standard's Chief Operating Officer left First Standard. This left First Standard with only two agents registered with the Bureau in its New Jersey location, one of whom was its Chief Compliance Officer. On September 27, 2019, a third agent (a supervisor) became registered with the Bureau in the New Jersey location. When First Standard's sole remaining producing broker at the New Jersey location, Philip J. Sparacino (CRD No. 3243960), had his registration revoked by a Summary Penalty and Revocation Order on October 8, 2019, First Standard's two remaining registered agents in New Jersey were involved only in compliance and supervisory capacities.

3. At all relevant times, First Standard has been a member of the Financial Industry Regulatory Authority ("FINRA"), and its agents were associated persons of FINRA.

B. First Standard's Clearing Firm

4. Hilltop Securities, Inc. ("Hilltop") (CRD No. 6220) is First Standard's clearing broker and maintains a main office address of 8201 Preston Rd., Suite 600, Dallas, Texas 75225. As a clearing broker, Hilltop executes trades on behalf of First Standard, maintains custody of First Standard customer accounts and assets, sends confirmation reports and monthly statements to First Standard's customers, and remits to First Standard the portion of trade proceeds that will be paid to First Standard and its agents as commissions and sales charges.

C. First Standard's History of Hiring and Retaining Agents with Troubled Regulatory Backgrounds

5. First Standard has a history of hiring and retaining agents with troubled regulatory histories. Seventy-six of the 130 agents registered with First Standard at some point between January 2016 and October 2019, had current disclosures on their regulatory record. These

disclosures included customer complaints, arbitration claims, current regulatory investigations, past regulatory actions, liens and judgments, internal investigations by prior firms, and terminations for cause by prior firms.

6. At least 32 of those agents have five or more disclosures on their regulatory records, including the following agents who have significant numbers of disclosures on their regulatory records: Dan Brown (CRD No. 3184347) with 9 disclosures, Levert Caldwell (CRD No. 4302934) with 9 disclosures, James Mirenda (CRD No. 2585792) with 10 disclosures, Laurence Torres (CRD No. 2821373) with 10 disclosures, James Schwartz (CRD No. 3043085) with 11 disclosures, Joel Benanti (CRD No. 4210681) with 11 disclosures, Leonard Marzocco (CRD No. 3106494) with 11 disclosures, Rocco Roveccio (CRD No. 2713144) with 12 disclosures, Joseph Degregorio (CRD No. 3219963) with 13 disclosures, William Gennity (CRD No. 4913490) with 13 disclosures, Christopher Marnelego (CRD No. 4519174) with 14 disclosures, Michael Resciniti (CRD No. 4006304) with 15 disclosures, Arthur Coffey (CRD No. 2553466) with 16 disclosures, Andre Davis (CRD No. 1417097) with 17 disclosures, Marc Reda (CRD No. 2757330) with 17 disclosures, Gabriel Block (CRD No. 2103543) with 18 disclosures, and Frank Scarso (CRD No. 2679981) with 20 disclosures. These numbers are extraordinarily high for a firm the size of First Standard, and far exceed what is normal in the industry.

7. On October 11 and 14, 2019, FINRA reported to the Central Registration Depository ("CRD") that it had pending investigations and had made preliminary determinations to recommend that disciplinary actions be brought against the following five (5) former First Standard agents for allegations of FINRA rule violations, including excessive and unsuitable trades: Andre Davis, Frank Venturelli (CRD No. 6303468), Michael Catoggio (CRD No. 2402269), Leonard Marzocco (CRD No. 3106494), and Robert Spiegel (CRD No. 5861656).

Currently, 13 former First Standard agents are either barred or suspended by FINRA, the U.S. Securities and Exchange Commission ("SEC"), and/or the Bureau.

8. On May 15, 2019, the Bureau Chief issued a Summary Penalty and Revocation Order against former First Standard agent Gabriel Block, revoking his registration and assessing $750,000 in civil monetary penalties against him for, among other things, engaging in unsuitable and excessive trading activity. On July 12, 2019, Block contested the Summary Penalty and Revocation Order and the matter is currently pending before the Office of Administrative Law.

9. On October 8, 2019, the Bureau Chief issued a Summary Penalty and Revocation Order against First Standard agent Sparacino, revoking his registration and assessing $250,000 in civil monetary penalties against him for, among other things, engaging in unauthorized, unsuitable, and excessive trading activity.

10. On October 28, 2019, the Bureau Chief issued a Summary Revocation Order against former First Standard agent Philip Noto (CRD No. 4837180), revoking his registration after learning that he had been permanently barred by FINRA as of July 12, 2019.

11. This history reflects a culture at First Standard of ignoring compliance in search of revenues and at the expense of its customers.

12. Since at least January 2016, First Standard has engaged in a course of business that consisted of excessive, unsuitable, and unauthorized short-term trading activities in customer accounts for the purpose of generating commissions for First Standard and its agents at the customers' expense. First Standard's course of business also included the unauthorized use of margin, and misrepresentation or omission of the amount of commissions and fees to be charged to customers. In addition, its relentless in-and-out trading included trading in bonds and other securities designed to be held for the long-term and unsuitable for active trading. This fraudulent

and systemic trading scheme unjustly enriched First Standard and its agents in excess of $28.7 million in commissions and sales charges from January 1, 2016 to the present.

13. When customers complained to supervisors at First Standard regarding the activity in their accounts, including commissions and fees higher than what had been disclosed and unauthorized trading, First Standard placated the complainants by merely refunding or promising to refund commissions. Otherwise, First Standard failed to reasonably address the complaints with its agents or take action that reasonably would be expected to have stopped the conduct by the agents.

14. First Standard's culture of non-compliance, including its failed system of supervision, is also apparent from First Standard's failure to comply with at least one heightened supervision agreement that it had entered into pursuant to N.J.A.C. 13:47A-3.1(d).

15. On April 14, 2015, the Bureau approved Levert Caldwell's agent registration with First Standard, conditioned on a heightened supervision agreement signed the same day by Caldwell, Alec Franks (CRD No. 5797052) (then Chief Compliance Officer) on behalf of First Standard, and Philip Noto as Caldwell's supervisor (the "Caldwell Agreement").

16. Pursuant to the Caldwell Agreement, Noto accepted supervisory responsibility over Caldwell. Noto was registered with the Bureau as an agent of First Standard from September 3, 2014 through August 20, 2018. Now, Noto is permanently barred by FINRA and the SEC and the Bureau has also revoked his agent registration.

17. Paragraph 15 of the Caldwell Agreement states that First Standard and Caldwell "will have joint responsibility for directly notifying the Bureau of any new or updated customer complaint, civil or criminal action, regulatory action, arbitration, internal review or investigation instituted against Caldwell within 10 business days of the notification of the occurrence."

18. Paragraph 17 of the Caldwell Agreement states "All notifications required in this agreement shall be addressed to the Supervisor, Agent Registration at the following address: 153 Halsey Street, 6th Floor, Newark, NJ 07102 or any subsequent office location."

19. Thereafter, between 2016 and 2018, First Standard failed to notify the Bureau of at least four disclosure events involving Caldwell, including his guilty plea to a criminal action, which was required by paragraphs 15 and 17 of the heightened supervisory agreement. First Standard therefore failed to comply with the Caldwell Agreement.

D. First Standard and its Agents Had No Reasonable Basis for the Trading Strategy

20. Regulations promulgated pursuant to the Securities Law, as well as FINRA rules, require that financial advisors have a reasonable basis to recommend a security or an investment strategy to a customer. Despite these laws and regulations, First Standard and its agents recommended securities to their customers based on an active trading strategy without having a reasonable basis for believing that this strategy, and many of the accompanying securities, were suitable.

21. N.J.A.C. 13:47A-6.3(a)(3) states that it is a dishonest or unethical practice to recommend "to a customer an investment strategy, or the purchase, sale, or exchange of any security or securities without reasonable grounds to believe that such strategy, transaction, or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the broker-dealer." FINRA Rule 2111 states that each "member or associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to

ascertain the customer's investment profile."

22. Instead of recommending a suitable investment strategy or suitable securities for its customers, First Standard employed an active trading strategy that maximized commissions for First Standard without regard to its suitability to the firm's customers, as set forth throughout this Summary Order. This strategy included: (a) executing short-term, in-and-out trades in which the repeated commission charges made it unlikely for customers to break even, much less receive a reasonable return; and (b) employing this short-term trading scheme even in bonds and other securities intended to be held as long-term investments.

23. The turnover rate measures how often the equity value in an investor's portfolio is traded in a year. Turnover rate is calculated by dividing the total security purchases by the average month-end equity balance in an account, and then annualizing the result. Turnover rates of six or more presumptively indicate excessive trading. Turnover rates of less than six may also be excessive in cases where the level of activity is unsuitable for the investor. The annualized turnover rates of many of the customers described in this Summary Order exceeded six by multiples, demonstrating that First Standard's recommended trading strategy was unsuitable.

24. The cost-to-equity ratio is determined by calculating the sum of the commissions, costs, and other fees in an investor's account, and then dividing the sum by the average equity on an annualized basis. This ratio represents the percentage of investment returns needed to pay the costs and commissions of the brokerage firm and its agent before an investor can profit on their investments. The cost-to-equity ratios for many of First Standard's customers ranged from approximately 10% to 25%, and were even higher in some accounts. This meant that customers would have to achieve 10% or more in returns just to cover the costs of First Standard's trading strategies. These figures show that First Standard's trading strategies were unsuitable.

25. First Standard, through its agents, engaged in widespread and pervasive "in-and-out" trading. Firmwide, from January 15, 2016 to October 7, 2019, First Standard sold over 43% of the securities purchased in customer accounts within 30 days of their purchase. First Standard sold more than 67% of the securities within 90 days of their purchase, and sold 94% of the securities within one year of their purchase. The following chart illustrates percentages based on holding periods of securities in First Standard's customer accounts from January 15, 2016 to October 7, 2019:

Period (Days)	Percentage of Securities Purchased and Sold Within this Time Period	Cumulative Percentage
0	0.58%	0.58%
31	43.27%	43.85%
60	14.98%	58.83%
90	9.06%	67.89%
120	5.97%	73.87%
150	4.46%	78.33%
180	3.96%	82.29%
270	7.53%	89.82%
360	4.22%	94.04%
Over 360	5.96%	100.00%

26. During this time period, First Standard did not employ a strategy of long-term investing, regardless of what was suitable for its customers. Instead, from January 15, 2016 to October 7, 2019, First Standard traded excessively in customer accounts, generating exorbitant commissions not for the benefit of the customers, but for the benefit of First Standard and its agents.

E. First Standard Engaged in a Pattern of Excessive, Unsuitable, and Unauthorized Trading in Customer Accounts

27. Between 2017 and 2019, First Standard received numerous customer complaints from Hilltop, which put First Standard on notice of misconduct by its agents. Those complaints

include:

- A 74-year old customer's (Customer S.W.) letter of complaint dated August 4, 2017, complaining that his First Standard agent Alex Olsen (CRD No. 5992623) traded on margin in his account, although S.W. had specifically told the agent not to trade on margin;

- A 41-year old customer's (Customer J.A.) electronic complaint dated February 13, 2019, complaining that First Standard agent Chris Blumer (CRD No. 4861312) engaged in unauthorized trading activity in his account;

- A 59-year old customer's (Customer P.M.) letter of complaint dated April 12, 2019, complaining that the funds in his account dropped by over 50%, even though an agent from First Standard had assured P.M. that the stock would go up by 500%;

- A letter of complaint dated May 3, 2019 from a daughter of a 67-year old customer (Customer B.B.) who, she stated, suffers from Parkinson's disease and other disorders, alleging that First Standard agents Davis (CRD No. 1417097) and Caldwell (CRD No. 4302934) engaged in unauthorized, excessive, and unsuitable trading activity and unauthorized trading on margin, along with misrepresentations and omissions, causing B.B. to suffer a loss of over $461,000;

- A 76-year old customer's (Customer L.S.) letter of complaint dated May 10, 2019, complaining that his agent Davis engaged in unauthorized and excessive trading which caused L.S. to suffer a loss of $152,400; and

- Four customer complaints from Customers C.B., M.E., C.L., and M.M., three of which are more fully described below, regarding excessive and unauthorized trading by former First Standard agent Sparacino.

28. As of October 26, 2019, there were 31 pending customer complaints against former and current First Standard agents filed between 2018 and 2019, alleging unauthorized, excessive, and/or unsuitable trades executed at First Standard. A few examples of First Standard's egregious abuse of investors are illustrated in the following customers' Statements of Claim filed against First Standard in arbitration with FINRA.

1. <u>Customer J.V.</u>

29. Customer J.V. was a 72-year old retired widow when she opened four accounts at

First Standard in March 2016. According to her Statement of Claim,[1] her four accounts in total had an opening balance of $2,955,545 in March 2016 and a closing balance of $1,002,881 in August 2018. She paid First Standard $1,063,101 in commissions and sales credits between March 2016 and July 2018 (this amount was 36% of her initial investment).

30. Beginning in October 2017, and continuing until she closed her accounts, J.V.'s four accounts were heavily concentrated in one over-the-counter security – Sito Mobile Ltd.[2] Sito is a speculative and low-priced stock that First Standard began buying for J.V. at its high price in the vicinity of $7 per share and continued to add to and maintain it as it dwindled down to a few dollars a share for much of the time she remained in this concentrated position. Between October 20, 2017 and October 27, 2017, First Standard purchased 134,000 Sito shares for $1,032,486 in J.V.'s four accounts, which was approximately one-third of the $2.9 million total opening balance in the accounts. Thereafter, First Standard made additional purchases and sales that increased the size of the position to 357,844 shares.

31. In September 2018, when the accounts were closed, there were 110,000 Sito shares left unsold—the price of Sito was $0.87 per share on September 30, 2018. As of that date, J.V. had paid $2,995,012 for her shares in Sito and received only $1,533.583 in sales proceeds for the shares she sold. Her total realized and unrealized losses in Sito alone were $1,573,925—over 50% of the opening value of her accounts—and she paid a total of $113,643 in commissions and sales credits in this speculative trading spree in one concentrated volatile stock that cost J.V. over $1.5 million.

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1 Customer J.V.'s Statement of Claim in arbitration with FINRA was filed on or about April 8, 2019.

2 Currently, the market price of Sito is about $0.68 per share.

32. First Standard also heavily traded bonds in J.V.'s accounts. Bonds are generally long-term investments and are primarily purchased to provide interest income for the customer. This was not the case for J.V. Bonds were bought and then sold in her account, often within one to two months. For example, over a six-week period between August 18, 2016 and October 4, 2016, there were purchases totaling $1,533,583 for Transocean Inc. bonds in J.V.'s accounts, which was one-half of the $2.9 million account opening balance in March 2016. But by October 20, 2016, just two months after the initial purchases, all of these bonds were sold. These transactions generated sales credits including commissions for First Standard totaling $45,072. The below chart details the Transocean Inc. bond transactions.

TRADE DATE	BUY/ SELL	QUANTITY BUY	QUANTITY SELL	PRICE %	AMOUNT BUY	AMOUNT SELL	TOTAL SALES CREDIT
8/18/2016	B	230,000		69.26%	$166,170		$4,623
8/18/2016	B	180,000		69.26%	$130,048		$3,618
8/18/2016	B	150,000		69.26%	$108,375		$3,015
8/18/2016	B	45,000		69.26%	$32,518		$905
9/14/2016	B	237,000		67.08%	$159,155		$4,622
9/14/2016	B	66,000		67.08%	$44,327		$1,287
9/14/2016	B	20,000		67.08%	$13,438		$390
9/16/2016	B	65,000		66.05%	$43,011		$1,248
9/16/2016	B	50,000		66.05%	$33,087		$960
9/16/2016	B	35,000		66.05%	$23,163		$672
9/22/2016	B	515,000		67.28%	$347,642		$10,043
9/27/2016	B	205,000		65.27%	$134,392		$3,895
9/27/2016	B	175,000		65.27%	$114,726		$3,325
9/27/2016	B	117,000		65.27%	$76,705		$2,223
9/27/2016	B	56,000		65.27%	$36,718		$1,064
10/4/2016	B	102,000		68.31%	$70,108		$2,020
10/20/2016	S		1,084,000	68.25%		$748,012	$0
10/20/2016	S		501,000	68.25%		$345,710	$501
10/20/2016	S		410,000	68.25%		$282,915	$410
10/20/2016	S		253,000	68.25%		$174,576	$253
		2,248,000	2,248,000		$1,533,583	$1,551,213	$45,072

33. First Standard, through its agents Debra Bourne and Gabriel Block, traded J.V.'s accounts in an excessive and unsuitable manner, inflicting losses of approximately $1.9 million

upon her. While Block was trading in J.V.'s accounts, he was not even registered with the Securities Division of South Carolina, where J.V. resides.

2. Customer E.D.

34. Customer E.D was 75 years old when a margin account was opened with First Standard on June 7, 2017. According to First Standard's records, he had a liquid net worth of over $3 million. He opened the account with deposits totaling $1,797,048. Between June 2017 and January 24, 2018, E.D. paid First Standard over $900,000 in commissions and sales credits, plus margin interest. In just over six months, the commissions and sales credits totaled more than half of his initial investment. E.D.'s margin balance increased from $267,987 in June to $2,939,706 in December. When the account was closed in January 2017, E.D. had realized and unrealized trading losses of $1,673,352. Four of the securities purchased in his account lost more than $1.86 million.

Security	P&L
ADAMIS PHARM COR	-$1,075,513
ENERGOUS CORP	-$320,128
ADVANCED MICRO D	-$292,801
GLOBALSTAR INC	-$172,381
TOTAL	-$1,860,823

35. The First Standard agent on E.D.'s account, William Gennity (CRD No. 4913490), was the subject of a regulatory action by the SEC for the same type of activity that he engaged in at First Standard. The SEC's complaint was filed in the Southern District of New York. According to the SEC, from July 2012 to August 2014:[3]

> William C. Gennity recommended to four customers a pattern of high-cost, in-and-out trading without any reasonable basis to believe that his customers could make a profit. Gennity's recommendations

[3] During this period, the agent was employed by another firm.

resulted in losses for the customers and gains for Gennity. Gennity allegedly also lied to his customers about the potential for the accounts to profit. The complaint also alleges that Gennity engaged in unauthorized trading and churning.

36. On March 1, 2019, the United States District Court for the Southern District of New York entered a final consent judgment against Gennity. Gennity was found to have defrauded customers by making unsuitable and unauthorized trades and churning customers' accounts, thereby enriching Gennity and his firm at the customers' expense.

37. On April 16, 2018, E.D. filed a FINRA arbitration against Gennity, First Standard, and First Standard's indirect owner Carmine Berardi (CRD No. 4879362), alleging that First Standard agents Gennity and Berardi and First Standard engaged in unsuitable and unauthorized trading, failed to supervise, and breached their fiduciary duty.[4] E.D. discontinued his action against Berardi and First Standard, but an award was entered stating, among other things, that Gennity was liable to pay E.D. the full amount of $2,404,376 in compensatory damages and that Gennity's expungement request was denied.

3. Customer D.P.

38. First Standard traded excessively for enormous commissions in Customer D.P.'s account. D.P. opened an account with First Standard on February 9, 2016. At the time, he was 71 years old. According to First Standard's records, D.P. had a liquid net worth of over $3 million. Initially, the account had a balance of less than $70,000, but by November, it had a margin balance of $252,350 and an account balance of $227,262. The margin balance continued growing until October 2017, when it reached its high point of $2,014,534. The account balance also increased to $1,890,037. Thereafter, in April 2008, the margin balance and the account balance decreased

[4] First Standard is owned by Carl Standard and Co. Holding LLC, which is owned by Carmine Berardi.

to $460,375 and $507,000, respectively. Between February 9, 2016 and March 9, 2019, D.P. paid First Standard over $1,104,161 in commissions and sales credits, plus margin interest—which was 58% of his highest account balance in October 2017. D.P. had realized and unrealized trading losses of $734,773 during this period. Six of the securities purchased in his account lost more than $1.4 million as set forth below:

Security	P&L
ADAMAS PHARM INC	-$265,083
GLOBALSTAR INC	-$105,736
HTG MOLECULAR DI	-$228,851
NII HOLDINGS INC	-$389,568
SCPHARM INC	-$252,813
SITO MOBILE LTD	-$229,737
	-$1,471,788

4. Customer J.M.

39. First Standard also victimized Customer J.M. through excessive and unauthorized trading. According to his Statement of Claim against First Standard,[5] J.M. is a 72-year old farmer of approximately 2,500 acres of corn and beans with cattle operations. He received a cold-call from Gennity who, unbeknownst to J.M., had been employed by ten different firms, had seven (7) customer complaints, and was the subject of a regulatory action by the SEC. J.M.'s Statement of Claim in arbitration with FINRA provides that First Standard turned J.M.'s account over 34 times. The annualized cost-to-equity ratio was 103.5%, meaning that J.M. would have had to earn over 100% annually in his account simply to break even much less earn a profit for himself. Instead, he lost $98,198. This is not surprising—over 80% of the positions were held for less than thirty days, demonstrating a voracious in-and-out trading strategy with no apparent objective other than

[5] J.M. filed his Statement of Claim in arbitration with FINRA on or about November 21, 2018.

to generate commissions for First Standard and its unsavory agents at the expense of a farmer for whom the activity was excessive and unsuitable.

5. Customer J.B.

40. First Standard also exploited Customer J.B., a 57-year old truck driver earning $28,000 per year. According to J.B.'s Statement of Claim in arbitration proceeding with FINRA,[6] First Standard, through its agents Nicholas Cavalcante (CRD No. 5075099) and Andre Davis, engaged in excessive trading in his account, causing J.B. approximately $135,026 in losses while the agents pocketed about $103,109 in commissions.

41. According to J.B.'s Statement of Claim, in or around March 2015, J.B. received a cold-call from Cavalcante. He promised J.B. returns of 10 to 12%. Cavalcante successfully convinced J.B. to transfer his assets that were conservatively managed in mutual funds. Subsequently, Cavalcante sent J.B. new account forms with sticky notes indicating where J.B. should place his signature. J.B. did not understand what the forms entailed because First Standard did not explain them to him. After a few months into their broker-client relationship, J.B. never heard from Cavalcante again.

42. Thereafter, J.B. received a phone call from Davis, a new First Standard agent assigned to handle J.B.'s account. Davis convinced J.B. to trade on margin and to transfer his pension assets to First Standard as well. Davis then allegedly engaged in unauthorized and excessive trading in J.B.'s accounts. Despite J.B.'s request to stop trading on margin at one point, Davis continued trading on margin. Ultimately, between 2015 and 2018, J.B.'s accounts experienced an annualized turnover rate of 9.4 times, and a combined annualized cost-to-equity ratio of over 46%. While J.B. suffered a combined loss in both accounts of approximately

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6 J.B. filed a Statement of Claim in arbitration with FINRA on or about April 11, 2019.

$133,643.00, Cavalcante and Davis allegedly made a total of $103,106.68 in commissions for themselves and First Standard from both accounts.

F. First Standard Agent Philip Sparacino Engaged in a Pattern of Excessive, Unsuitable, and Unauthorized Trading in Customer Accounts

43. At First Standard, a sudden vacuum created by any agent's decreased volume of trading and commission generation, such as those of the agents described in the prior paragraph, was quickly filled by other agents' increase in trading and commission generation. This is illustrated by the conduct of former agent Sparacino.

44. Since at least June 2019 through October 8, 2019, Sparacino engaged in a pattern of unauthorized, excessive, unsuitable, and fraudulent trading activity in the accounts of customers of First Standard. The timing of this trading activity further corresponded to the departure of almost all of First Standard's agents. As those agents left the firm, many of their customers still maintained accounts at First Standard, thus creating the opportunity for Sparacino to access dozens of newly inherited customer accounts and generate commissions. In April and May 2019, Sparacino generated a total of only $24,258 in commissions.[7] By comparison, from June 1, 2019 through October 4, 2019, Sparacino generated $1,452,514 in commissions and fees.[8]

45. As described in the examples below, Sparacino accomplished this volume of trading and commission generation by means of fraud, including engaging in unauthorized trading, using margin without authorization, misrepresenting the amount of commissions to customers, and excessive trading, as a result of First Standard's systemic lack of reasonable supervision.

1. Customer P.B.

46. In or about August 2019, Customer P.B. received a phone call from Sparacino

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7 Excluding trade cancellations and rebills.

8 Excluding trade cancellations and rebills.

advising P.B. that he was taking over P.B.'s account because the previous broker had left the firm. Sparacino informed P.B. that the portfolio was not performing well, and that he would take a look at it. P.B. never authorized Sparacino to execute any trades, but, following their conversation, P.B. received another phone call from Sparacino informing P.B. that he had sold the stocks in P.B.'s account and purchased new ones with the proceeds.

47. Sparacino did not disclose the amount of commissions that would be charged for the trades. P.B. called Sparacino to complain about the commissions. Sparacino claimed that it was customary to charge up to 50%, half the transaction cost, for commissions. Sparacino told P.B. that he would nonetheless refund P.B. the commissions. To date, P.B. has received a $420.00 commission refund, but other more substantial commissions have not been refunded to P.B..

48. Additionally, Sparacino repeatedly called P.B. and engaged in high-pressure sales tactics. In one instance, Sparacino intimated to P.B. that he had inside information about a company in negotiations with the Chinese government and advised P.B. that he had purchased its shares for P.B.'s account. However, a few days after buying shares in the company, Sparacino sold them again without an explanation and without P.B.'s authorization.

49. Due to P.B.'s concerns about Sparacino's unauthorized trading, P.B. emailed Sparacino on October 2, 2019, clarifying that he was not authorized to engage in any trading in the account without P.B.'s authorization.

50. Nevertheless, on October 4, 2019, P.B. received notification of a margin call on P.B.'s account for $240. P.B. not only had never authorized Sparacino to trade on margin, but did not even understand what trading on margin meant. Sparacino was trading on margin in P.B.'s account without P.B.'s knowledge or express authorization.

51. On August 5, 2019, immediately prior to Sparacino recommending and executing the first transaction for P.B., the total value of securities in the account of P.B. was $34,872. From August 5, 2019 to September 25, 2019, Sparacino's trading activity generated at least $8,565 in commissions and fees – almost 25% of the $34,872 account value - from his unauthorized activity.

2. Customer C.L.

52. In or about August 23, 2019, the agent assigned to Customer C.L.'s account at First Standard called C.L. to inform C.L. that the agent was in the process of moving to another broker-dealer. The agent requested C.L. to move C.L.'s accounts with the agent. C.L. declined.

53. Within several minutes, C.L. received a phone call from Sparacino who stated that he had inherited C.L.'s account at First Standard and was now in charge of the trading in the account. C.L. told Sparacino not to engage in any trading because he did not want to pay any commissions, and explained that C.L. intended to transfer the account to another institution (not the one with the prior agent).

54. On August 26, 2019, C.L.'s account was transferred out of First Standard to the other financial institution. But, several days later, C.L. received a trade confirmation for the First Standard account showing commission and fee charges of approximately $3,000.

55. Without C.L.'s knowledge, and despite C.L.'s instructions to the contrary, Sparacino had sold C.L.'s two stock positions and subsequently purchased another stock using the sale proceeds and the $40,000 C.L. had left in the account.

56. C.L. subsequently had a conversation with Sparacino and First Standard's Chief Compliance Officer Michael Leahy ("CCO Leahy") (CRD No. 1899498), demanding that they reverse the commissions and fees charged for the unauthorized trades. C.L. was told that nothing could be done since the account had moved to another institution. C.L. continued the attempts at

getting a refund for the unauthorized charges, but was repeatedly told that a refund was possible only if C.L. signed a release absolving Sparacino of any misconduct. In early October 2019, Sparacino finally assured C.L. that a refund check was being mailed to C.L., along with a statement characterizing the entire episode as a misunderstanding, which C.L. would have to sign. The improper commission charges were ultimately refunded to C.L.

3. Customer R.C.

57. In or about September 2019, Customer R.C. received a phone call from Sparacino who advised R.C. that R.C.'s previous agent had left First Standard and that Sparacino would be managing his account.

58. Ignoring R.C.'s instruction to the contrary, Sparacino started aggressively trading R.C.'s account on margin. Sparacino's unauthorized trading resulted in a margin deficit in R.C.'s account and commission charges totaling over $34,000 within a few weeks.

59. When R.C. contacted Sparacino, Sparacino claimed that the commissions were charged as a mistake, and that any charges would be reversed. To date, however, R.C. is not aware of any refunds entered for those charges or that the unauthorized trades have been reversed.

60. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for R.C., the total value of securities in the account of R.C. was approximately $265,090. From September 20, 2019 to September 26, 2019, Sparacino's trading activity generated at least $66,418 in commissions and fees – almost a quarter of the $26,090 value of the securities in R.C.'s account.

61. On October 17, 2019, R.C. received a margin call of $20,781 on his First Standard account.

4. Customer M.E.

62. In September 2019, Customer M.E. received a phone call from Sparacino who advised M.E. that M.E.'s previous broker was terminated due to low performance. Sparacino recommended purchasing CyberArk Software Ltd. ("CYBR") and holding it for about two weeks. M.E. agreed to the purchase of CYBR and, on September 20, 2019, Sparacino purchased approximately $149,000 of CYBR in M.E.'s account and charged $6,219 in commissions.

63. On September 23, 2019, M.E. received another phone call from Sparacino, who recommended M.E. sell the CYBR shares and purchase another stock. M.E. refused to sell. The next day, Sparacino called again and attempted to persuade M.E. to sell the CYBR shares and purchase another stock. Again, M.E. instructed Sparacino not to sell the shares. Nevertheless, on September 26, 2019, Sparacino sold the shares without authorization and again charged $6,687 in commissions.

64. On September 30, 2019, M.E. wrote the compliance department of First Standard complaining about unauthorized trading in M.E.'s account by Sparacino and advising that M.E. had contested the trades with Hilltop. And M.E. further advised First Standard that M.E. had filed a complaint with FINRA regarding the unauthorized trading. M.E. also notified First Standard that it was not authorized to make further trades in M.E.'s account since M.E. was transferring it out of First Standard.

65. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for M.E., the total value of securities in the account of M.E. was approximately $160,327. In less than a week, from September 20, 2019 to September 26, 2019, Sparacino's trading activity generated at least $13,538 in commissions and fees. First Standard has refunded approximately $13,000 in charges to M.E.

5. Customer D.D.

66. On September 20, 2019, Customer D.D. received a phone call from Sparacino informing D.D. that D.D.'s previous broker had left the firm and that Sparacino would now be handling the account. Sparacino promised that he would not charge any commissions on trades that D.D. ordered. Despite his representation that there would be "no commissions" charged, Sparacino charged D.D. approximately $7,000 (4.4%) in commissions and fees for transactions he entered after their conversation.

67. Further, within a few days, Sparacino entered several transactions to buy and sell shares without D.D.'s authorization or knowledge. Sparacino charged D.D. additional commissions and fees of approximately $6,000 related to these transactions. D.D. reached out to complain about the unauthorized trades and commissions. D.D. was told that his money would be returned, and was asked to sign a release statement that characterized the incident as a misunderstanding.

68. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for D.D., the total value of securities in the account of D.D. was approximately $81,007. In just three days, from September 20, 2019 to September 23, 2019, Sparacino's trading activity generated at least $14,091 in commissions and fees from the unauthorized activity.

6. Customer V.H.

69. On September 19, 2019, Sparacino sold a security from Customer V.H.'s account and charged V.H. a commission on the transaction without V.H.'s knowledge or authorization. After receiving a trade confirmation disclosing the sale, V.H. authorized V.H.'s spouse to contact First Standard's CCO Leahy regarding Sparacino's unauthorized trading. To date, neither V.H.,

nor V.H.'s spouse, has been notified that the account has been credited the commission charges.

70. On September 18, 2019, immediately prior to Sparacino recommending and executing the first transaction for V.H., the total value of securities in the account of V.H. was approximately $48,303. From September 19, 2019 to September 25, 2019, Sparacino's trading activity generated at least $4,163 in commissions and fees.

7. Customer M.M.

71. In mid-August 2019, Customer M.M. received several phone calls from an unidentified number. M.M. returned these calls and reached Sparacino. Sparacino informed M.M. that M.M.'s previous broker had left the firm and that Sparacino would now be handling the account. According to Sparacino, the account was underperforming. Sparacino touted his own stock-picking abilities. Sparacino recommended selling the stocks in M.M.'s account and purchasing new stocks. M.M. agreed. On August 20, 2019, Sparacino sold the four stock positions in the account, totaling approximately $300,000. M.M. was charged $500 in total commissions for the sales. On August 22, 2019, Sparacino purchased three new positions, including Harsco Corporation ("HSC"), with the funds in M.M.'s account, charging M.M. approximately $12,700 in commissions. M.M. complained to Sparacino and First Standard about the high commissions charged. Sparacino and First Standard assured M.M. that the commissions would be less in the future.

72. On September 13, 2019, Sparacino contacted M.M. and recommended selling the three stock positions in the account, including HSC. M.M. agreed and Sparacino executed the transactions, charging $1,500 total in commissions. On September 19, 2019, Sparacino used the proceeds from the sales to purchase CYBR stock for approximately $284,000, charging $8,499 in commissions. A few days later, Sparacino recommended that M.M. sell that stock position and

repurchase HSC. Again, M.M. agreed. Sparacino charged M.M. commissions of $125 to sell the stock position, but charged M.M. $7,828 to repurchase HSC. The very next day, Sparacino contacted M.M. and informed M.M. that First Standard may be closing and that M.M. needed to sell the position in HSC. As a result, Sparacino charged M.M. another $7,962 to sell the HSC stock. M.M. was advised by First Standard that the $7,962 commission to sell HSC would be credited back to M.M.'s account.

73. On August 19, 2019, immediately prior to Sparacino recommending and executing the first transaction for M.M., the total value of securities in the account of M.M. was approximately $309,399. From August 20, 2019 to September 25, 2019, Sparacino's trading activity generated at least $39,233 in commissions and fees.

G. First Standard was Complicit in its Agents' Fraudulent Trading Activity

74. First Standard was unscrupulously complicit in and failed to take reasonable steps to address its agents' unlawful conduct, including Sparacino's. First Standard received numerous customer complaints related to Sparacino's unauthorized, excessive, unsuitable, and/or fraudulent trading activity and unauthorized and/or excessive commissions and fees charged by First Standard. Despite the alarming and accumulating suspicious activities and red flags by its agents, First Standard did not impose any reasonable degree of reasonable supervision or additional scrutiny over its agents' trading activity. Instead, First Standard merely canceled and rebilled complainants the commission charges.

75. From August 20, 2019 to September 25, 2019, at least four of First Standard's customers brought their complaints regarding Sparacino directly to First Standard's clearing firm, Hilltop. On October 1, 2019, First Standard's CCO Leahy sent a letter to Hilltop denying the allegations of Sparacino's unauthorized and unsuitable trading activity. Leahy further stated to

Hilltop that First Standard "maintain[s] a culture of compliance" and "ha[s] always addressed and reversed any commission necessary."

76. First Standard cancelled and rebilled the excessively charged commissions and reported to the complainants that those charges were mistakenly generated. First Standard failed to reasonably address the customer complaints with its agents. By doing so, First Standard kept its fraudulent trading scheme operational. Meanwhile, First Standard allowed Sparacino to continue his unauthorized, excessive, unsuitable, and/or fraudulent trading activity in furtherance of its fraudulent trading scheme.

77. On October 8, 2019, Sparacino's registration was revoked by the New Jersey Bureau of Securities. Following the revocation of Sparacino's registration in New Jersey, First Standard instructed Hilltop to suspend Sparacino's ability to log in to the system to place trades. On October 9, 2019, however, First Standard clarified that the suspension of Sparacino's log in was only temporary because they were "in process [sic] of moving him to New York."

78. This communication exemplifies First Standard's contempt for its customers and the laws and rules by which it and every broker-dealer are bound. On October 8, 2019, First Standard had received a Summary Order of Revocation against Sparacino reflecting a virtual rampage of unauthorized, excessive, and unsuitable trading that generated nearly $1.5 million in ill-gotten gains for him and First Standard. Rather than terminating Sparacino or taking any other action against him, First Standard's initial response was to simply move him across state lines so that he could continue to exploit the investing public.

H. First Standard Failed to Reasonably Supervise Its Agents

79. First Standard was responsible for approving the securities sold by its agents and supervising its agents, including Sparacino, who engaged in unauthorized, excessive, unsuitable,

and/or fraudulent trading activity. First Standard's agents could not have accomplished their systematic high volume of unauthorized, excessive, unsuitable, and/or fraudulent trading without First Standard's knowledge and participation in the scheme.

80. First Standard charged customers commissions or other sales charges almost every time its agents purchased a security or sold a security. Given the high volume of the trading, and the substantial commissions being charged, the accounts would have had to generate extraordinary returns simply to break even, much less produce a profit for the customer.

81. First Standard received trading reports from its clearing firm Hilltop on a daily basis, which put First Standard on continuing notice of the excessive trading in customer accounts, the commissions being charged, the in-and-out trading in bonds and other securities that were designed to be held for long-term investment, and other red flags. First Standard also had access to exception reports from Hilltop on a regular basis which flagged accounts with trading activity that violated firm policies and industry standards.

82. Based on the conduct above, First Standard failed to reasonably supervise its agents who engaged in unauthorized, excessive, unsuitable, and/or fraudulent trading activity to generate high commissions and fees.

CONCLUSIONS OF LAW

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL PRACTICES IN THE SECURITIES INDUSTRY BY MAKING UNTRUE STATEMENTS AND OMITTING MATERIAL FACTS NECESSARY TO MAKE THE STATEMENTS MADE, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING, IN VIOLATION OF N.J.S.A. 49:3-52(b)

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(31) and (32)

83. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

84. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

85. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:
>
> . . . .
>
> (31) Making any misrepresentation or omission of a material fact . . . in connection with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction.
>
> (32) Engaging in any material misrepresentation or omission . . . involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

86. Pursuant to N.J.S.A. 49:3-52:

> It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly
>
> . . . .
>
> (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading . . . .

87. As demonstrated above, First Standard made materially false and misleading statements to certain customers, including, by advising customers that they would not be charged commissions or fees for transactions.

88. Additionally, First Standard omitted to state material facts to certain customers, including:

a. the amount of commissions to be charged for certain trades;

b. that margin trading would be executed in the customer's account; and

c. that the agent would engage in unauthorized, excessive, and/or unsuitable trading.

89. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(31) and (32), to revoke First Standard's broker-dealer registration.

90. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL PRACTICES IN THE SECURITIES INDUSTRY BY ENGAGING IN AN ACT, PRACTICE, OR COURSE OF BUSINESS WHICH OPERATES OR WOULD OPERATE AS A FRAUD OR DECEIT UPON ANY PERSON IN VIOLATION OF N.J.S.A. 49:3-52(c)

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(32)

91. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

92. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

93. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:
>
> . . . .
>
> (32) [E]ngaging in deceitful, deceptive or fraudulent conduct involving any aspect of the securities, banking, insurance, investment advisory or commodities futures industries or engaging in any conduct described above which, at the time, is prohibited by

the statutes or rules governing the above industries in the jurisdiction where the conduct occurred.

94. Pursuant to N.J.S.A. 49:3-52:

> It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly
>
> . . . .
>
> (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person[.]

95. As demonstrated above, First Standard engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon certain customers, including, by facilitating a pattern of unauthorized, excessive, and/or unsuitable trading activity by its agents in the accounts of several customers, charging commissions and fees despite any assurances to the contrary, and/or by omitting the amount of the commissions and fees.

96. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(32), to revoke First Standard's broker-dealer registration.

97. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES BUSINESS

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(2)

98. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

99. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .

> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

100. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:
>
> . . . .
>
> (3) Inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account.

101. As demonstrated above, First Standard engaged in dishonest or unethical practices in the securities business, including, by inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account.

102. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(2), to revoke First Standard's broker-dealer registration.

103. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES BUSINESS

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(3)

104. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

105. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .

> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

106. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq. . . . shall include the following:
>
> . . . .
>
> (3) Recommending to a customer an investment strategy, or the purchase, sale, or exchange of any security or securities without reasonable grounds to believe that such strategy, transaction, or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the broker-dealer.

107. As demonstrated above, First Standard engaged in dishonest or unethical practices in the securities business, including, by recommending to customers numerous purchases and sales of securities without reasonable grounds to believe that the strategies, transactions, or recommendations were suitable for these customers, and without any grounds based upon reasonable inquiry concerning the customers' investment objectives, financial situation, and needs, and any other relevant information known to First Standard.

108. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(3), to revoke First Standard's broker-dealer registration.

109. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES BUSINESS

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(4)

110. The preceding paragraphs are incorporated by reference as though set forth

verbatim herein.

111. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

112. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:
>
> . . .
>
> (4) Placing an order or executing a transaction on behalf of a customer without prior authorization to do so.

113. As demonstrated above, First Standard engaged in dishonest or unethical practices in the securities business, including, by placing orders or executing transactions on behalf of customers without prior authorization to do so.

114. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(4), to revoke First Standard's broker-dealer registration.

115. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES BUSINESS

N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(11)

116. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

117. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any

> registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau chief.

118. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:
>
> . . . .
>
> (11) Charging fees for services without prior notification to a customer as to the nature and amount of the fees.

119. As demonstrated above, First Standard engaged in dishonest or unethical practices in the securities business, including, by charging commissions and fees for services without prior notification to the customers as to the nature and amount of these commissions and fees.

120. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(11), to revoke First Standard's broker-dealer registration.

121. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD ENGAGED IN DISHONEST OR UNETHICAL BUSINESS PRACTICES IN THE SECURITIES BUSINESS
N.J.S.A. 49:3-58(a)(1) and (a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(12)

122. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

123. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by rule of the bureau

chief.

124. Pursuant to N.J.A.C. 13:47A-6.3(a):

> "Dishonest or unethical practices" as used in N.J.S.A. 49:3-47 et seq . . . shall include the following:
>
> . . . .
>
> (12) Charging unreasonable and inequitable fees for services performed, including miscellaneous services such as collection of monies due for principal, dividends or interest, exchange or transfer of securities, appraisals, safekeeping, or custody of securities and other services related to its securities business.

125. As demonstrated above, First Standard engaged in dishonest or unethical practices in the securities business, including, by charging unreasonable and inequitable fees to the customers for services performed, including exorbitant commissions and fees for service.

126. By the foregoing conduct, this is cause, pursuant to N.J.S.A. 49-58(a)(1) and (a)(2)(vii) as interpreted in N.J.A.C. 13:47A-6.3(a)(12), to revoke First Standard's broker-dealer registration.

127. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's registration and denial of certain exemptions are in the public interest.

FIRST STANDARD FAILED TO REASONABLY SUPERVISE ITS AGENTS

N.J.S.A. 49:3-58(a)(1) and (a)(2)(xi)

128. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

129. Pursuant to N.J.S.A. 49:3-58(a):

> The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant
>
> . . . .
>
> (xi) has failed reasonably to supervise: his agents if he is a broker dealer or issuer; . . . .

130. As demonstrated above, First Standard failed to reasonable supervise its agents who, among other things, engaged in unauthorized, excessive, and/or unsuitable trading activity in the accounts of several customers.

131. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(xi), to revoke First Standard's broker-dealer registration.

132. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of First Standard's broker-dealer registration and denial of certain exemptions are in the public interest.

CONCLUSION

For the reasons stated above, it is on this 31st day of October 2019 **ORDERED** that:

1. The broker-dealer registration of First Standard is **REVOKED**;

2. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to First Standard.

3. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby **DENIED** as to First Standard.

Christopher W. Gerold
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law") specifically, N.J.S.A. 49:3-58(c), the Bureau Chief shall entertain on no less than three days' notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 15 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate, or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a final order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.