

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2011025548802**

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

RE: Robert G. Stein (CRD No. 869186)  
General Securities Representative

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Robert G. Stein ("Stein" or the "Respondent"), submit 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

In July 1979, Stein first became registered with FINRA as a General Securities Representative. Since July 2003, Stein has been registered in this capacity through Capitol Securities Management, Inc. (BD No. 14169) ("CSM").

**RELEVANT DISCIPLINARY HISTORY**

Stein has no relevant formal disciplinary history.

**OVERVIEW**

From January 1, 2008 to August 31, 2011 (the "Relevant Period"), Stein recommended and effected unsuitable purchases of reverse convertible notes ("RCNs") for the accounts of eight CSM customers in violation of NASD Conduct Rules 2310 and 2110 and FINRA Rule 2010.

## FACTS AND VIOLATIVE CONDUCT

### Reverse Convertible Notes

RCNs are short-term notes of an issuer that are tied to an underlying or "linked" equity and that pay a fixed interest rate. At maturity, the investor receives the interest payment plus either 100% of the original investment amount or a predetermined number of shares of the linked equity (which, at the time of maturity, may be worth less than the original investment amount), depending on the performance of the linked equity during the term of the note and the price per share on the date of maturity.

RCNs are complex products that expose investors not only to risks traditionally associated with bonds and other fixed income products – such as the risk of issuer default and inflation risk – but also to the additional risks of the underlying lined equity, and the potential for loss of all or part of the principal invested. In addition, RCNs generally do not trade during the life of the RCN and therefore tend to be illiquid.

### Stein's Unsuitable Sales of RCNs

During the Relevant Period, Stein recommended and effected 24 unsuitable purchases of RCNs totaling approximately \$4 million for the accounts of eight customers. Most of the customers were over the age of 60 and had modest or conservative investment objectives and risk profiles. Furthermore, all of the customers' accounts were heavily concentrated in RCNs, with the amounts of these investments constituting a substantial portion of their net worth. Stein's recommendations were unsuitable given the customers' risk tolerances, investment objectives, ages and net worth. Based on the foregoing, Stein violated NASD Conduct Rules 2310 and 2110 and FINRA Rule 2010.<sup>1</sup>

B. I consent to the imposition of the following sanctions:

- A suspension from association with any FINRA member in all capacities for three months; and
- A fine of \$5,000.

I agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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<sup>1</sup> Stein violated NASD Conduct Rule 2110 for the period prior to December 15, 2008 and violated FINRA Rule 2010 for the period on or after December 15, 2008.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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 herein shall be effective on a date set by FINRA staff.

I.

**WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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 acceptance or rejection of this AWC.

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

I understand that:

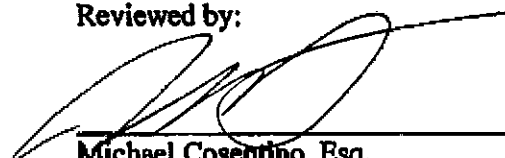
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313;
  - 4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand I 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 or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

1/15/2016  
Date

Robert G. Stein  
Robert G. Stein

Reviewed by:

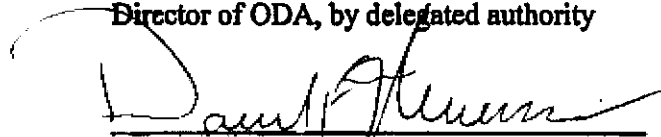


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Accepted by FINRA:

February 25, 2016  
Date

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



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