

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Matthew DiGregorio (CRD No. 2434158),

Respondent.

DISCIPLINARY PROCEEDING
No. 2015045909501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. On June 12, 2015, a FINRA arbitration panel entered an award ordering that Matthew DiGregorio pay his former business partners \$246,726.48. DiGregorio did not move to modify or vacate the award. He did not honor the award and, in fact, told the panel during the arbitration and FINRA staff during its investigation that he would not do so. DiGregorio's failure to honor the arbitration award constitutes a violation of FINRA Rule 2010 and IM-13000(d).

2. In addition, during the arbitration, the panel twice ordered DiGregorio to produce documents evidencing that his child had been in an accident, as he had twice claimed as the basis for procuring last-minute continuances of hearing sessions. DiGregorio refused to produce any documents. DiGregorio's failures to produce documents as ordered by an arbitration panel constitute violations of FINRA Rule 2010 and IM-13000(c).

3. In the alternative, if the hearing panel finds that DiGregorio did not produce the documents that were subject to the arbitration panel's orders because the story about his child's

purported accident was a fabrication, then DiGregorio violated FINRA Rule 2010 by making false representations to the arbitration panel to procure two continuances.

RESPONDENT AND JURISDICTION

4. DiGregorio was first registered with a FINRA member firm, Stratton Oakmont Inc., in 1993. He subsequently was registered with 15 different firms. He was associated with his most recent member firm, Aegis Capital Corp., from June 10, 2015 until August 19, 2015, when he voluntarily resigned. Prior to his association with Aegis Capital, DiGregorio was associated with another FINRA member firm from January 2013 through July 6, 2015. He was suspended as of August 31, 2015, pursuant to Article VI, Section 3 of the FINRA By-Laws and FINRA Rule 9554 because he has not honored the aforementioned arbitration award. Although DiGregorio is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with his most recent FINRA-member employer firm, namely August 19, 2015; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FACTS

DiGregorio requested two continuances based on his daughter's purported accident

5. On February 26, 2013, PT and MR filed an arbitration against DiGregorio asserting claims arising out of their prior business partnership.

6. A hearing session was held on May 19, 2015,¹ with subsequent sessions scheduled for May 20, 21, 27, and 29.

¹ Henceforth, all dates are in 2015 unless otherwise stated.

7. On May 20 at 7:30 a.m., DiGregorio emailed the case administrator and stated that he would be unable to attend that day's session because of "an accident involving one of my [children] that occurred last night." The arbitration panel then cancelled that day's session.

8. On May 21 at 6:31 a.m., DiGregorio emailed the case administrator and stated that he would be unable to attend that day's session because of "the unfortunate occurrence in my family." When, later that day, the case administrator requested that he provide more detail regarding the nature of the emergency, DiGregorio wrote that his child had been struck by a car while riding a bicycle on May 19.

The arbitration panel requested documents evidencing the accident

9. Later on May 21, the arbitration panel issued an order granting DiGregorio's request for the adjournment of the May 20 and 21 hearing sessions, but ordered him to provide documents evidencing the accident by noon on May 26, including:

"An explanation by Respondent of the nature of his child's health issues resulting in the trip to the emergency room and proof from the emergency room that Mr. DiGregorio and his [child] were indeed present on Tuesday, May 19. This may include but is not limited to a letter from the attending physician and/or the intake nurse. The documentation must be on the medical facility's letterhead."

"An explanation by Respondent regarding the nature of the 'family emergency' necessitating his absence on Thursday, May 21, 2015. This explanation must be confirmed by documentation by an individual who can confirm the explanation. If the 'family emergency' was for a medical reason, documentation from a physician's office or medical facility is required. Otherwise, documentation from a third party is required confirming Mr. DiGregorio's account. This documentation must be notarized."

DiGregorio refused to produce documents demonstrating that the accident occurred

10. DiGregorio did not produce any documents by the May 26 deadline, as ordered by the panel.

11. When the arbitration reconvened on May 27, DiGregorio told the panel that his child did not go to an emergency room following the accident, but that the police had been called to the scene. The panel chair then ordered DiGregorio to produce the police report and notarized statements from his ex-wife and her husband, whom DiGregorio claimed had witnessed the accident, when the arbitration reconvened on May 29. DiGregorio told the arbitration panel that he was meeting with his ex-wife that day or the next and would “gather all of the information [he had] and hand it in on Friday [May 29].”

12. Despite this assurance, DiGregorio did not produce any documents by the May 29 deadline, as ordered by the panel.

13. Rather, when the arbitration reconvened on May 29, DiGregorio told the arbitration panel that he would not produce any documents regarding the accident because he did not want the claimants to receive copies of anything that might disclose where his ex-wife and child lived. He claimed that he feared for his and his family’s safety because of prior incidents involving claimants, which included gunshots, arson, and assaults. Claimants denied that these acts of criminal violence occurred and DiGregorio produced no evidence supporting his allegations. In any event, DiGregorio did not explain how the requested documents would contain information that could lead to further violent episodes, nor did he request that he be allowed to redact personal information so as to assuage his concerns or request that the arbitration panel review the documents *in camera*. Instead, he told the hearing panel that he would “take [his] punishment” and pay “whatever the fine is” for disobeying the panel’s orders.

14. When the panel chair informed DiGregorio that she was referring his failure to obey the panel’s orders to FINRA staff for possible disciplinary action, he reiterated his

unwillingness to produce the requested documents and stated that he understood that he could face disciplinary action for maintaining that position.

DiGregorio has not honored the award

15. During his closing argument on May 29, DiGregorio told the arbitration panel that, if he were to lose the case, he would “absolutely not” pay the award. He also stated that, should he lose, he would not “bend over again and just cut a check or be on a payment plan for the next 30 months.”

16. On June 12, the arbitration panel entered an award in favor of claimants, ordering that DiGregorio pay them \$246,726.48.

17. DiGregorio did not timely move to vacate or modify the award.

18. DiGregorio has not honored the award.

19. During the investigation that led to this disciplinary proceeding, DiGregorio informed FINRA staff that he does not intend to honor the award.

DiGregorio’s story changed during Enforcement’s investigation

20. During Enforcement’s investigation, DiGregorio continued to assert that his child had been in an automobile accident. However, his investigative testimony was inconsistent with his arbitration testimony in multiple respects and he was unable to articulate a reasonable explanation for his refusal to comply with the arbitration panel’s orders:

- During the arbitration, he claimed that police were present at the accident scene, but during Enforcement’s investigation he testified that he did not recall police being present;
- During the arbitration, he claimed that his ex-wife had not given him any documents, but during Enforcement’s investigation he produced documents his wife purportedly gave him—including a physician’s letter dated May 20, the

day after the purported accident—although those documents pertained to an accident *four years earlier*;²

- During the arbitration, he claimed that his child did not go to the emergency room and made no mention of the child having been seen by a general practitioner. In contrast, during Enforcement’s investigation he claimed that his child was seen the day after the accident by a general practitioner—who happened to be his ex-wife’s stepsister, which he contended precluded him from obtaining any documents evidencing that visit;
- He could not explain to Enforcement why providing the requested documents would endanger his family, as he had claimed during the arbitration; and
- He could not explain to Enforcement why he did not request that he be allowed to redact personal information or did not request that the arbitration panel review the documents *in camera* to address his purported concerns for his family’s safety.

21. During the arbitration, DiGregorio claimed that he was *unwilling* to produce the documents requested and that he would accept responsibility for disobeying the arbitration panel’s orders. In the event that the hearing panel finds that DiGregorio in fact was *unable* to comply with the arbitration panel’s orders because he had fabricated the story about his child’s accident, then he made false representations to the arbitration panel in order to improperly procure two last-minute continuances of hearing sessions, thereby showing his contempt for the arbitration process and needlessly inconveniencing the arbitration panel and claimants.

² Enforcement staff requested, pursuant to FINRA Rule 8210, that DiGregorio produce all documents in his possession, custody, or control “evidencing that you and/or your [child] were present in the emergency room or similar medical facility on or about May 19, 2015” and “evidencing the family emergency” he identified in his May 21 email to the arbitration panel. In response, DiGregorio produced: (i) a letter from a doctor dated May 20, 2015—*i.e.*, a day after the accident but a day *prior* to the panel ordering DiGregorio to produce documents evidencing the accident—stating that she was the child’s physician until 2011 and referencing an event that had occurred in April 2011; (ii) a medical report dated April 25, 2011; and (iii) a letter from another doctor dated May 2, 2011. Accordingly, DiGregorio produced no documents evidencing an accident or injury occurring in 2015.

FIRST CAUSE OF ACTION
Failure to Honor an Arbitration Award
(FINRA Rule 2010 and IM-13000(d))

22. The Department realleges and incorporates by reference paragraphs 1 through 21 above.

23. FINRA Rule 2010 states that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”

24. FINRA IM-13000(d) states that it “may be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2010 for a member or a person associated with a member to...fail to honor an award...obtained in connection with an arbitration submitted for disposition pursuant to the rules applicable to the arbitration of disputes before FINRA or other dispute resolution forum selected by the parties where timely motion has not been made to vacate or modify such award pursuant to applicable law.”

25. Rule 13904(j) of the FINRA Code of Arbitration Procedure for Industry Disputes states that “[a]ll monetary awards shall be paid within 30 days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction.”

26. On June 12, 2015, a FINRA arbitration panel entered an award ordering DiGregorio to pay claimants, his former partners at a FINRA member firm, \$246,726.48 for claims arising out of their business relationship.

27. DiGregorio did not move to vacate or modify the award.

28. DiGregorio failed to honor the award.

29. During the arbitration, DiGregorio informed the arbitration panel that, if he were to lose the arbitration, he would not pay the award. Similarly, during the investigation that led to

this disciplinary proceeding, DiGregorio told FINRA staff that he does not intend to honor the award.

30. As a result of the foregoing misconduct, DiGregorio violated FINRA Rule 2010 and IM-13000(d).

SECOND CAUSE OF ACTION
Failure to Comply with an Arbitration Panel Order to Produce Documents
(FINRA Rule 2010 and IM-13000(c))

31. The Department realleges and incorporates by reference paragraphs 1 through 30 above.

32. IM-13000(c) states that it “may be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2010 for a member or a person associated with a member to... fail to appear or to produce any document in his possession or control as directed pursuant to provisions of the Code [of Arbitration Procedure for Industry Disputes].”

33. On May 21, 2015, and May 27, 2015, a FINRA arbitration panel ordered DiGregorio to produce documents.

34. DiGregorio refused to produce any documents responsive to the arbitration panel’s orders.

35. As a result of the foregoing misconduct, DiGregorio violated FINRA Rule 2010 and IM-13000(c).

THIRD CAUSE OF ACTION
(PLEADED IN THE ALTERNATIVE TO THE SECOND CAUSE OF ACTION)
Providing False Information to an Arbitration Panel
(FINRA Rule 2010)

36. The Department realleges and incorporates by reference paragraphs 1 through 35 above.

37. Providing false information to an arbitration panel as the basis to procure a continuance of a hearing session is conduct inconsistent with just and equitable principles of trade.

38. If DiGregorio did not produce any documents responsive to the arbitration panel's May 21, 2015, and May 27, 2015, orders because he was not in possession or control of any responsive documents because his child was not involved in an accident on May 19, 2015, then DiGregorio made false representations to the arbitration panel to procure continuances of the May 20, 2015, and May 21, 2015, hearing sessions.

39. By making such false representations, DiGregorio violated FINRA Rule 2010.

RELIEF REQUESTED

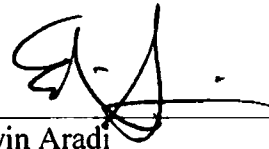
WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that DiGregorio committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that DiGregorio bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: June 7, 2016

Respectfully submitted,



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