

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016050114901**

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

RE: Matthew Meehan, Respondent  
CRD No. 4320603

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Matthew Meehan, 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 December 2000, Respondent first became registered with FINRA as a General Securities Representative. In November 2011, Respondent became registered as a General Securities Representative and a General Securities Principal through an association with E.J. Sterling, LLC (BD No. 16569) (the "Firm"). In December 2011, Respondent also became registered with FINRA as an Operations Professional through the Firm. Respondent remained registered with the Firm until his voluntary termination in October 2015.

Respondent is not currently registered or associated with a FINRA member firm. Pursuant to Article V, Section 4 of FINRA's By-Laws, however, FINRA retains jurisdiction over him.

## **RELEVANT DISCIPLINARY HISTORY**

Respondent has no relevant disciplinary history.

## **OVERVIEW**

Between January 2014 and June 2015 (the "Relevant Period"), Respondent engaged in quantitatively unsuitable trading in the accounts of three customers in violation of FINRA Rules 2010 and 2111.

In addition, at various times during the Relevant Period, Respondent exercised discretion in those three customer accounts without written authorization from the customers and without having obtained approval from the Firm to treat those customer accounts as discretionary, in violation of NASD Rule 2510(b) and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **1. Excessive and Unsuitable Trading**

FINRA Rule 2111(a) provides: "A member or an 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."

Supplementary Material 2111.05(c) states: "Quantitative suitability requires a member or associated person who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated in Rule 2111(a). No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation."

During the Relevant Period, Respondent engaged in quantitatively unsuitable trading in the accounts of customers RK, SM, and PO resulting in annualized turnover rates of 12, 21, and 32, respectively, and annualized cost-to-equity ratios of 54%, 110%, and 179%, respectively. During this period, these accounts sustained a collective loss of \$21,813.54.

As a result of the foregoing conduct, Respondent violated FINRA Rules 2010 and 2111.

## **2. Use of Discretion without Prior Written Authorization**

NASD Rule 2510(b) prohibits registered representatives from exercising discretion in a customer's account unless the customer has provided written authorization to the representative to exercise discretion, and the account has been accepted as a discretionary account, in writing, by the representative's firm.

At various times during the Relevant Period, Respondent exercised discretion in the accounts of RK, SM and PO. Respondent exercised discretion notwithstanding the fact that he did not have written authorization from the customers to place discretionary trades. Moreover, the Firm had not approved and accepted the accounts as discretionary.

As a result of the foregoing conduct, Respondent violated NASD Rule 2510 and FINRA Rule 2010.

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

- A suspension from associating in any and all capacities with any FINRA member firm for twelve months;
- A \$15,000 fine; and
- Restitution to customers listed on Attachment A hereto in the total amount of \$21,813.54, plus interest.

The fine shall be due and payable either immediately upon reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

An order to pay restitution to the customers listed on Attachment A hereto in the total amount of \$21,813.54, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from January 2014 until the date of payment. Restitution amounts ordered, pursuant to this disciplinary action, are due and payable immediately upon reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

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

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.

## **II.**

### **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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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 accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 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.
- 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 that 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


12/6/16  
Date (mm/dd/yyyy)

  
Matthew Meehan

Accepted by FINRA:

1/11/17  
Date

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

  
Aismara J. Casanova  
Senior Regional Counsel  
FINRA Department of Enforcement  
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**ATTACHMENT A**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2016050114901**

<b>Customer Initials</b>	<b>Restitution Amount</b>
RK	\$9,640.00
SM	\$5,691.28
PO	\$6,482.26