

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

Department of Enforcement,

Complainant,

v.

Craig David Dima  
(CRD No. 2314389),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2015046440701

Hearing Officer - DW

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: February 28, 2017

**INTRODUCTION**

Disciplinary Proceeding No. 2015046440701 was filed on August 18, 2016, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Craig David Dima submitted an Offer of Settlement (Offer) to Complainant dated February 16, 2017. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement) 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, to the entry of findings and violations consistent with the allegations of

the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

### **BACKGROUND**

In 1994, Dima became registered with FINRA as a General Securities Representative. Between 1994 and September 2009, Dima was registered with FINRA through seventeen different member firms.

Since September 2009, Dima has been registered as a General Securities Representative, General Securities Principal and Limited Representative – Investment Banking with K.C. Ward Financial ("KC Ward" or the "Firm"). In 2011, Dima also became registered through KC Ward as an Operations Professional.

In light of his current registration with a FINRA member firm, Dima remains subject to FINRA's jurisdiction pursuant to Article V of FINRA's By-Laws.

### **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

1. From in or about June 2010 through in or about August 2015 (the "Relevant Period"), while registered through FINRA member firm K.C. Ward Financial, Respondent Craig David Dima made approximately 41 unauthorized sales of Colgate-Palmolive Company stock ("Colgate") stock in the account of RS, a senior customer. By this misconduct, Dima violated FINRA Rule 2010.

2. To conceal the unauthorized trading, Dima made fraudulent misrepresentations and omissions to RS. Dima falsely told RS that the sales were the result of computer issues, human error or statements to that effect, rather than his unauthorized trades. By this misconduct, Dima violated FINRA Rules 2020 and 2010.
3. During the Relevant Period, Dima also made unsuitable recommendations in RS's account. Specifically, on approximately 11 occasions during this period, Dima sold all, or substantially all, of RS's Colgate stock, a "blue chip," dividend-paying stock, and after waiting a short period, purchased the same Colgate stock back in RS's account.
4. As a result of Dima's unsuitable recommendations, RS paid mark-ups, mark-downs and transaction costs of approximately \$376,000 and was deprived of approximately \$127,000 in dividend payments. RS also suffered trading losses of approximately \$72,000 from three of the unauthorized, round-trip sequences of Colgate transactions. By this misconduct, Dima violated NASD Conduct Rule 2310 and FINRA Rules 2111 and 2010.
5. The mark-ups and mark-downs that Dima charged RS in connection with the Colgate round-trip trades were not fair and reasonable. By this misconduct, Dima violated NASD Conduct Rule 2440, NASD Interpretative Manual ("IM") 2440-1, and FINRA Rules 2121 and 2010.

#### **CUSTOMER RS**

6. RS is 72 and a retired employee of Colgate, where she worked for more than 28 years.
7. RS first opened a brokerage account with Dima in approximately 2006, while Dima was associated with another firm, and then moved her account to KC Ward with Dima in 2009. RS maintained an IRA account at KC Ward that held the majority of her holdings

(approximately 90 percent) and a smaller individual account. The violative trades alleged herein occurred in the IRA account.

8. On RS's KC Ward New Account Form for the IRA account, completed in September 2009, Dima identified RS's investment objective as "Maximum Growth," with a "Moderate" risk tolerance.
9. RS opened the IRA account by transferring into the account her primary retirement asset: approximately 7,543 shares of Colgate stock, which she had accumulated during her 28 years of employment with the company.
10. RS was Dima's largest account during the Relevant Period and accounted for approximately 80 percent of Dima's commissions.

**DIMA'S UNSUITABLE COLGATE TRADES AND EXCESSIVE  
MARK-UPS/MARK-DOWNS**

11. As more fully detailed in Exhibit A attached to this Order, during the Relevant Period, Dima made a series of 11 round trip-trades in which he sold all, or virtually all, of RS's Colgate stock in RS's IRA account and, after waiting a short period, purchased the same amount of Colgate shares back in the account.
12. For example, on or about October 31, 2012, Dima sold 5,000 Colgate shares in RS's account at prices ranging from \$103 to \$103.15 per share. Between December 6, 2012 and December 31, 2012, Dima repurchased the 5,000 Colgate shares in RS's account at prices ranging from \$106.87 to \$111.91 per share. Dima charged RS \$28,300 in mark-ups and mark-downs in connection with these transactions; while RS lost approximately \$18,561.

13. In total, during this period, Dima effected approximately 82 separate trades of Colgate stock, totaling approximately \$15 million, in RS's account.
14. Dima determined the amount of mark-ups/mark-downs and executed all of the trades as riskless principal transactions.
15. For 80 of the Colgate trades, Dima charged RS mark-ups or mark-downs of approximately 3%. Thus, on average, RS paid approximately 6% in mark-ups/mark-downs in connection with each short-term, round-trip Colgate transaction. In total, Dima charged RS approximately \$372,000 in mark-ups and mark-downs solely to buy and sell Colgate stock.
16. Dima also required RS to pay a \$49 ticket charge for each trade. In total, RS was charged approximately \$4,000 in ticket charges on the Colgate trades.
17. Dima's frequent, short-term trading deprived RS of approximately \$127,000 in dividend payments that she would have received had she held the Colgate shares as intended.
18. In addition, RS suffered trading losses of approximately \$72,000 from three of the unauthorized, round-trip sequences of Colgate transactions effected by Dima.
19. Had Dima maintained RS's Colgate position from inception with no intervening transactions (and reinvested dividends), her shares as of November 2015 would have been worth approximately \$1.145 million, rather than \$816,000, approximately a \$329,000 difference.

**DIMA'S COLGATE SALES WERE UNAUTHORIZED AND CONCEALED  
BY FRAUDULENT MISREPRESENTATIONS**

20. During the Relevant Period, RS repeatedly expressed to Dima that she was not interested in selling her Colgate stock holdings, which she considered a valuable long-term investment and reliable source of dividends. Colgate has paid an annual dividend to shareholders since 1895. (In 2015-2016, the quarterly dividend yield ranged from 2.1% to 2.4%.)
21. Notwithstanding RS's stated desire to hold her Colgate shares, Dima effected approximately 41 unauthorized sales of Colgate stock in her account during the Relevant Period, as reflected on Exhibit A attached to this Order.
22. To conceal his unauthorized trades, Dima made numerous fraudulent misrepresentations and omissions to RS concerning the reasons for the repeated sales of Colgate stock in her account.
23. When RS questioned Dima about the sales of Colgate stock, Dima frequently misrepresented to her that the trades were the result of a "computer glitch" or a technical error at the Firm or its clearing firm that had caused the shares to be sold without his knowledge or involvement.
24. On other occasions, Dima falsely told RS that the Colgate sales were the result of human error made at the Firm or its clearing firm.
25. Dima never disclosed to RS that the Colgate sales in her account were, in fact, trades that he had effected without her authority.

26. Dima also routinely misrepresented to RS that KC Ward would reimburse her for the fees and commissions she paid in connection with the Colgate sales and that KC Ward would restore to her account the missed dividend payments. In fact, KC Ward never reimbursed RS for fees or commissions or repaid her the missed dividend payments as Dima promised.

**Unauthorized Trading  
(Violation of FINRA Rule 2010)**

27. FINRA Rule 2010 requires members and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”
28. During the Relevant Period, Dima effected approximately 41 sales of Colgate stock in RS’s account without her consent or authority.
29. By this misconduct, Dima violated FINRA Rule 2010.

**Fraudulent Misrepresentations and Omissions of Material Facts  
(Violations of FINRA Rules 2020 and 2010)**

30. FINRA Rule 2020 provides that “[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.”
31. In connection with the sales and repurchases of Colgate stock, Dima, by the use of the means of instrumentalities of interstate commerce (including telephone and email), or of the mails, knowingly, willfully and/or recklessly made numerous false statements to RS, and omitted to state facts necessary to make his statements not misleading.

32. As more fully described above, to conceal his unauthorized trades, Dima made fraudulent misrepresentations and omissions to RS concerning the reasons for the repeated sales and repurchases of Colgate stock in her account. Dima falsely explained to her that the sales were the result of computer issues, human error or statements to that effect, rather than his unauthorized trades. Additionally, Dima misrepresented to RS that to correct the “errors” and return RS’s account to its original share amount, he needed to buy back the shares of Colgate stock in her account.
33. These misrepresentations enabled Dima to conceal unauthorized trades and generated approximately \$372,000 in additional revenues for Dima and KC Ward.
34. The misrepresentations and omissions made by Dima to RS were made with scienter and were material.
35. By this misconduct, Dima violated FINRA Rules 2020 and 2010.

**Unsuitable Recommendations  
(Violation of NASD Conduct Rule 2310 and FINRA Rules 2111 and 2010)**

36. NASD Rule 2310 (applicable to conduct prior to July 9, 2012) and FINRA Rule 2111 (effective on July 9, 2012) require associated persons to have reasonable grounds to believe that a recommended securities transaction is suitable for the particular customer in light of the customer’s investment profile, including the customer’s age, financial situation and needs, risk tolerance, investment experience, and investment objectives.
37. As alleged above, Dima effected short-term, round-trip purchases and sales of Colgate stock without having a reasonable basis to believe that such purchases and sales were suitable for RS in view of the nature, frequency and size of the transactions, the risks and



transaction costs associated with such transactions, and in light of the RS's financial situation, investment objectives, circumstances and needs.

38. Dima's pattern of selling and then repurchasing Dima's Colgate shares during the Relevant Period also was inconsistent with RS's desire to hold the Colgate shares in her account as a long-term investment and as a means of generating dividends.
39. Dima's unsuitable recommendations resulted in harm to RS, in that she: paid mark-ups/mark-downs and fees of approximately \$376,000 for the Colgate trades; was deprived of approximately \$127,000 in dividend payments; and suffered trading losses of approximately \$72,000 from three of the round-trip sequences of Colgate transactions.
40. By this misconduct, Dima violated NASD Conduct Rule 2310 (for transactions occurring before July 8, 2012) and FINRA Rules 2111 (for transactions occurring on or after July 8, 2012) and 2010.

**Excessive Markups/Markdowns**  
**(Violation of NASD Conduct Rule 2440 and IM 2440-1 and FINRA Rules 2121 and 2010)**

41. NASD Conduct Rule 2440 and IM- 2440-1 (applicable to conduct prior to May 8, 2014) and FINRA Rule 2121 (effective on May 8, 2014) requires in pertinent part, that "if a member [or registered representative associated with the member] buys for his own account from a customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances."
42. It is also a violation of NASD Conduct Rule 2440 and FINRA Rule 2121 for a member [or registered representative associated with the member] to enter into any transaction with a customer in any security "at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable."

43. During the Relevant Period, Dima effected approximately 80 trades (purchases and sales) of Colgate Stock in which he charged mark-ups/mark-downs of approximately 3% or more.
44. The mark-ups and mark-downs that Dima assessed were unreasonable, unfair and excessive taking into consideration all relevant circumstances, including the nature of the transactions, riskless principal trades, and the nature of the security, a widely-traded, blue chip stock.
45. By this misconduct, Dima violated NASD Conduct Rule 2440 and IM-2440-1 (for transactions occurring before May 8, 2014) and FINRA Rules 2121(for transactions occurring on or after May 8, 2014) and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

#### **SANCTIONS**

It is ordered that Respondent be barred from association with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read 'Michael J. Newman', with a long horizontal flourish extending to the right.

Michael J. Newman, Senior Regional Counsel  
Lisa M. Colone, Senior Regional Counsel  
Christopher J. Kelly, Regional Chief Counsel  
FINRA Department of Enforcement  
581 Main Street, Suite 710  
Woodbridge, New Jersey 07095  
Phone: (732) 596-2030; Fax (202) 721-6557  
michael.newman@finra.org  
christopher.kelly@finra.org