

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016050393901**

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

RE: Edward T. McFarlane, Respondent  
General Securities and Investment Company/  
Variable Contracts Representative  
CRD No. 2492335

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward T. McFarlane ("McFarlane" or "Respondent"), submits 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 Respondent 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 April 1997, McFarlane first became registered with FINRA as an Investment Company/Variable Contracts Representative. From September 2008 to February 2017, McFarlane was registered in this capacity and as a General Securities Representative through Oppenheimer & Co., Inc. ("Oppenheimer") (BD No. 249). McFarlane is currently registered in these capacities through another FINRA member firm.

**RELEVANT DISCIPLINARY HISTORY**

McFarlane has no formal disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

## FACTS AND VIOLATIVE CONDUCT

Between December 2010 and June 2012, McFarlane recommended and effected approximately 169 unsuitable transactions involving inverse, leveraged, and inverse-leveraged Exchange-Traded Funds ("Non-Traditional ETFs") in the accounts of a customer. The Non-Traditional ETFs McFarlane recommended did not comport with the customer's financial situation, conservative investment objectives and minimal tolerance for risk. McFarlane held the Non-Traditional ETFs in the customer's accounts for as long as 470 days with an average holding period of 40 days, despite the fact that these Non-Traditional ETFs were short-term trading vehicles not meant to be held for extended periods. As a result of these transactions, the customer suffered total losses of approximately \$48,524.79.<sup>1</sup>

Based on the foregoing, McFarlane violated NASD Rule 2310 and FINRA Rule 2010.

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

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

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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.

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<sup>1</sup> Oppenheimer paid restitution to the customer for these losses.

## **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 prejudice 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;
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 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;

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.

5/4/2017  
Date (mm/dd/yyyy)

  
Edward T. McFarlane

Reviewed by:

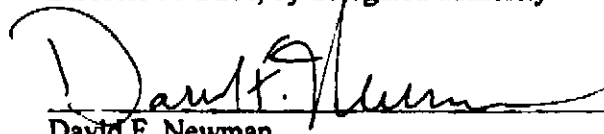


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Accepted by FINRA:

May 18, 2017  
Date

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



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