

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030775201**

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

RE: Trident Partners, Ltd., Respondent
CRD No. 41258

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Trident Partners, Ltd. ("Trident") 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 Trident alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Trident hereby accepts and consents, 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

Trident is located in Woodbury, New York and has been a FINRA member since approximately December 1996. The firm is engaged in a general securities business. Trident employs approximately 33 registered representatives in four branch offices.

RELEVANT DISCIPLINARY HISTORY

Trident has no prior relevant disciplinary history.

OVERVIEW

From January 2010 through January 2012 (the "Relevant Period"), Trident failed to establish, maintain and enforce a reasonable supervisory system and written supervisory procedures ("WSPs") to ensure that recommendations for its sale of steepeners, a complex, structured product were suitable.

Also, during the Relevant Period, Trident permitted the recommendation of steepeners without registered representatives having a reasonable basis to make such recommendations.

FACTS AND VIOLATIVE CONDUCT

Steepeners are complex, structured products. They are typically longer-term notes and certificates of deposit with maturities that can span 10 to 30 years. Steepeners are typically callable by the issuers after a relatively short, pre-specified period of time (e.g., one year). Steepeners pay interest rates that are initially fixed and float thereafter based on the "steepness" of the yield curve, which is dictated by the spread between longer- and shorter-term interest rates. While the initial fixed interest rates can be higher, if the steepener is not called after a year, the floating rates may drop significantly, to even as low as zero, earning no return for the remaining term of the steepener and the secondary market for steepeners may be illiquid.

During the Relevant Period, the sale of steepeners became a significant part of the firm's business, amounting to approximately 1,600 customer transactions and accounting for at least 10% of commissions generated.

Supervisory System and Written Supervisory Procedures

NASD Conduct Rule 3010 requires that a member firm establish, maintain and enforce a supervisory system and WSPs that are reasonably designed to achieve compliance with applicable laws, rules and regulations.

Trident's supervisory system with respect to its sale of steepeners to the public was unreasonable. First, the firm had no WSPs or supervisory system specific to steepeners or tailored to this line of the firm's business. Second, the firm failed to have any process in place to evaluate and conduct due diligence on steepeners it intended to sell to the public. Third, Trident did not have and did not provide to its sales force any training or guidance to determine the risks of purchasing steepeners or to evaluate the suitability of this type of structured product for its customers. Thus, when Trident began recommending that firm customers buy steepeners, the firm had failed to provide its registered representatives the necessary tools and training to determine whether there was a reasonable basis to offer such products to the public. Finally, Trident did not employ a reasonable system to supervise its steepener business to monitor for, among other things, suitability and over-concentration of positions in customer accounts.

By virtue of the foregoing, Trident violated NASD Conduct Rule 3010(a) and (b) and FINRA Rule 2010.

Reasonable-Basis Suitability

The reasonable-basis suitability obligation under NASD Conduct Rule 2310 requires a broker-dealer and its registered representatives to, *inter alia*, perform reasonable diligence to understand the nature of a recommended security, as well as the potential risks and rewards. In Notice to Members ("NTM") 12-03, FINRA reminded member firms of their obligations, as set out in NTM 05-59, that they and their registered representatives must perform a reasonable-basis suitability determination before recommending a transaction, which requires reasonable diligence to understand the nature of the product as well as the potential risks and rewards. Reasonable diligence depends, in part, on the complexity, risks and familiarity of the representative with the product.

A key element of the reasonable-basis suitability determination is an understanding of the product. During the Relevant Period, Trident permitted registered representatives to recommend steepeners to their customers even though Trident failed to ensure that its representatives had sufficient knowledge of steepeners prior to offering those products for sale. In fact, the firm did not have sufficient knowledge of the product, particularly the risks associated with steepeners, including the risks associated with interest rate resets, the possibility that the reset interest rate could drop to as low as zero, and the potentially illiquid nature of steepeners in the secondary market, among other risks. During the Relevant Period, Trident allowed its representatives to offer steepeners to retail customers before Trident had performed any reasonable-basis suitability analysis of the products to understand the risks and features associated with steepeners.

By virtue of the foregoing, Trident violated NASD Conduct Rule 2310 and FINRA Rule 2010.

B. Trident also consents to the imposition of the following sanctions:

- A fine of \$50,000; and,
- Censure

Trident agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Trident has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Trident specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Trident specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, Trident 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.

Trident 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

Trident understands 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 Trident; and

C. If accepted:

1. this AWC will become part of Trident's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
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. Trident 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. Trident 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 Trident's: (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. Trident may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Trident understands that it 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.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has 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 the firm to submit it.

Respectfully submitted,

Trident Partners, Ltd.

By: 
Brian Séhantz
President

6/8/17
Date (mm/dd/yyyy)

Reviewed by:

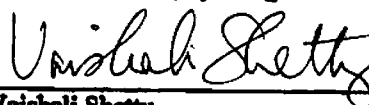


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Counsel for Respondent

Accepted by FINRA:

7/18/17
Date

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



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