

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017055723501**

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

RE: Melissa Ann Strouse, Respondent
Former Chief Compliance Officer and General Securities Principal
CRD No. 3200452

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Melissa Ann Strouse 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. Respondent 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

Strouse was registered with FINRA through First Financial Equity Corporation ("FFEC" or "the Firm") beginning at various dates in 1999 as a General Securities Representative, a General Securities Principal, and a Registered Options Principal, and beginning in December 2011 as an Operations Professional. FFEC is the only member firm with which Strouse has ever been associated. Strouse served as the Firm's Chief Compliance Officer ("CCO") from 1999 until November 2016, when she was replaced in that role, though she remained registered through the Firm for another approximately ten months. On September 26, 2017, the Firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5) for Strouse, stating that it had discharged her a week earlier for "[f]ailure to carry out job duties as assigned." Although Strouse has not been registered or associated with a FINRA member since her termination, FINRA retains jurisdiction over her pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

Between January 2015 until November 2016 (the "Relevant Period"), while she was the CCO of FFEC, Strouse had the responsibility to amend the Firm representatives' Uniform Applications for Securities Industry Registration of Transfer (Forms U4) within 30 days of discovery of an event requiring an amendment. Yet she failed to timely update the Forms U4 to disclose 67 outstanding liens, judgments, bankruptcies, and compromises with creditors, despite having notice of those events. By virtue of this misconduct, Strouse violated Article V, Section 2 of FINRA's By-Laws and FINRA Rules 1122 and 2010. Strouse also failed to prepare two required annual FINRA Rule 3120 reports for senior management detailing FFEC's system of supervisory controls and testing thereof for the years 2014 and 2015. By virtue of this misconduct, Strouse violated FINRA Rules 3120 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Failure to Timely Amend Forms U4

Pursuant to Article V, Section 2 of FINRA's By-Laws, when any person applies to be registered with FINRA, the member firm must file a Form U4 containing, among other things, certain financial disclosures, including judgments, liens, and compromises with creditors. That same provision requires every Form U4 filed with FINRA to "be kept current at all times by supplementary amendments." A firm must file each amendment to a Form U4 "not later than 30 days after learning of the facts or circumstances giving rise to the amendment." FINRA Rule 1122 states that "[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof." A violation of Rule 1122 and Article V, Section 2 of FINRA's By-Laws is also a violation of FINRA Rule 2010, which requires members in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

During the Relevant Period, FFEC's written supervisory procedures explicitly gave Strouse the responsibility to "ensure that all records for the FFEC's associated persons are kept current at all times. Strouse ... will amend records for its registered representatives no later than thirty days after discovery of an event or circumstance that requires such amendments."

During the Relevant Period, Strouse received 32 letters from FINRA informing her that 18 registered representatives had 58 reportable but undisclosed judgments and liens totaling approximately \$1.1 million, and two undisclosed bankruptcies. She did not file amended Forms U4 for those 58 reportable events in a timely fashion (within 30 days) or, in some cases, at all. Strouse was the only person at the Firm receiving notice of the FINRA disclosure letters. Strouse never even viewed 19 of the 32 disclosure letters.

Separately, two registered representatives informed Strouse of a tax lien and a compromise with a creditor, and she learned of five other judgments and liens relating to a third registered representative, totaling more than \$245,000. Yet she failed to update the representatives' Forms U4, even after they provided her with relevant documents.

By virtue of the foregoing, Strouse violated Article V, Section 2 of FINRA's By-Laws and FINRA Rules 1122 and 2010.

B. Failure to Prepare Annual Supervisory Control Reports

FINRA Rule 3120 requires, among other things, that a designated principal submit to the member's senior management at least annually a report detailing the member's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures prepared in response to the test results. Pursuant to the Firm's written supervisory procedures in effect during the Relevant Period, Strouse was the designated principal responsible for preparing the Firm's annual FINRA Rule 3120 report to senior management. She failed to prepare such reports for the years 2014 and 2015.

By virtue of the foregoing, Strouse violated FINRA Rules 3120 and 2010.

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

- A four-month suspension from association with any FINRA member in a principal capacity;
- A fine of \$20,000; and
- A requirement to requalify as a General Securities Principal by passing the requisite examination (Series 24) prior to acting in that capacity with any FINRA member.

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

Respondent understands that if she is barred or suspended from associating with any FINRA member in a principal capacity, she becomes 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, Respondent may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if she remains associated with a Member Firm in a non-suspended capacity, an application to continue that association may be required.

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. Respondent

specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against her;
- 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, Respondent 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.

Respondent 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

Respondent 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 Respondent; and**
- C. If accepted:**
- 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;**
 - 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. Respondent 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. Respondent 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 Respondent'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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that she 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.**

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it. Respondent understands and acknowledges that FINRA does not represent or advise her and Respondent cannot rely on FINRA or FINRA staff members for legal advice. Respondent has agreed to the AWC's provisions voluntarily; and 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 her to submit this AWC.

9/3/2019

Date

Melissa Strouse

Melissa Ann Strouse
Respondent

Accepted by FINRA:

9/9/2019

Date

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

[Signature]

Robin W. Sardegna
Senior Counsel
FINRA
Department of Enforcement
15200 Omega Dr., Suite 300
Rockville, MD 20850