FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT, Complainant, v. CRAIG SCOTT CAPITAL, LLC (CRD No. 155924), Respondent.	Disciplinary Proceeding No. 20150448235-01 Hearing Officer–DMF **DEFAULT DECISION** August 10, 2017

Respondent Craig Scott Capital, LLC is expelled from FINRA membership for: (1) excessive trading of customer accounts, in violation of NASD Rule 2310, NASD IM-2310-02, and FINRA Rules 2111 and 2010; (2) churning of customer accounts, in violation of Securities Exchange Act Section 10(b), Exchange Act Rule 10b-5 and FINRA Rules 2020 and 2010; and (3) making false statements in written responses to FINRA requests for information, in violation of FINRA Rules 8210 and 2010. No monetary sanctions are imposed for these violations, in light of the expulsion.

In addition, Respondent (1) failed to supervise and maintained deficient written supervisory procedures, in violation of NASD Rule 3010 and FINRA Rule 2010; and (2) failed to comply with telemarketing requirements, in violation of FINRA Rules 3230 and 2010. In light of the expulsion, no additional sanctions are imposed for these violations.

Appearances

For the Complainant: Danielle I. Schanz, Esq.; Carlos A. López, Esq.; Vaishali Shetty, Esq.; Artur M. Wlazlo, Esq.; and Kevin Hartzell, Esq., Department of Enforcement, Financial Industry Regulatory Authority.

For the Respondent: No appearance.

DECISION

I. Introduction

On January 5, 2016, the Department of Enforcement filed a Corrected Complaint against Respondent Craig Scott Capital, LLC ("CSC"), as well as Craig Scott Taddonio, the President, CEO and majority owner of CSC, and Brent Morgan Porges, the firm's Chief Operating Officer ("COO") and a minority owner. CSC did not file an Answer or other response to the Corrected Complaint and was held in default.

A hearing on the charges against Taddonio and Porges was held before an Extended Hearing Panel in January and February 2017. The Extended Hearing Panel issued its Decision on July 31, 2017. I adopt by reference for purposes of this Default Decision the relevant findings and conclusions of the Extended Hearing Panel as set forth in the Panel's Decision, as well as the evidentiary record supporting that Decision.

II. Respondent's Default

On February 29, 2016, the Hearing Officer then assigned to this matter issued an order directing Enforcement to file a motion for entry of a default decision against CSC, noting that CSC had not filed an Answer to the Corrected Complaint.[1] In accordance with that order, on April 19, 2016, Enforcement filed a Motion for Entry of Default Decision and Imposition of Sanctions and Memorandum of Law, together with the Declaration of Lara C. Thyagarajan and 20 exhibits.[2] CSC did not file a response to the motion.

The motion and supporting declaration show that on January 5, 2016, Enforcement sent the Corrected Complaint and Notice of Complaint, by first-class and certified mail addressed to Respondent Taddonio, CSC's majority owner, CEO and President, at the firm's business address listed in the Central Registration Depository ("CRD address"). CSC did not file an Answer. [3] On February 3, 2016, Enforcement sent the Corrected Complaint and Second Notice of Complaint by first-class and certified mail addressed to Respondent Taddonio at the firm's CRD address. CSC failed to file an Answer or otherwise respond to the Complaint. [4]

I find that CSC defaulted by failing to file an Answer or otherwise respond to the Corrected Complaint within the time required under Procedural Rule 9215. Enforcement served the Corrected Complaint and Notices of Complaint on CSC in accordance with Rule 9134,

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[1] The Corrected Complaint did not differ from the Complaint originally filed by Enforcement in any material respect. The original Complaint was served on CSC in December 2015. CSC did not file an Answer or other response, but CSC's default is based upon its failure to respond to the Corrected Complaint, which superseded the original Complaint.

[2] The declaration is referenced as "Decl." followed by the applicable paragraph number.

[3] Decl. ¶¶ 21, 25; Complainant's Exhibit ("CX-") 10.

[4] Decl. ¶¶ 26, 32; CX-13; CX-14.

thereby giving it constructive notice of this proceeding. The allegations in the Corrected Complaint are deemed admitted, pursuant to FINRA Rule 9269(a)(2), except insofar as those allegations are inconsistent with the factual findings set forth in the Extended Hearing Panel Decision addressing the charges in the Corrected Complaint against Respondents Taddonio and Porges. Accordingly, I grant Enforcement's motion for entry of a default decision pursuant to Procedural Rule 9269.[5]

III. Findings of Fact and Conclusions of Law

A. Jurisdiction

CSC became a member of FINRA in January 2012. FINRA suspended CSC's membership in October 2015 for failure to pay outstanding FINRA arbitration fees. In December 2015, CSC filed a Uniform Request for Broker-Dealer Withdrawal ("Form BDW") to withdraw its registration with the Securities and Exchange Commission and to terminate its FINRA membership. In January 2016 FINRA suspended CSC's FINRA membership for failing to file FOCUS reports and cancelled CSC's FINRA membership for failing to pay arbitration fees.[6]

Although CSC is no longer a FINRA member, FINRA has jurisdiction over this proceeding pursuant to Article IV, Section 6 of FINRA's By-Laws, which provides:

> A resigned member or a member that has had its membership canceled or revoked shall continue to be subject to the filing of a complaint under the Rules of the Corporation based upon conduct which commenced prior to the effective date of the member's resignation from the Corporation or the cancellation or revocation of its membership. Any such complaint, however, shall be filed within two years after the effective date of resignation, cancellation, or revocation.

The charges against CSC in the Corrected Complaint are based upon conduct which commenced prior to the cancellation of CSC's FINRA membership and the Corrected Complaint was filed within two years after the effective date of the cancellation. Accordingly, FINRA has jurisdiction over this proceeding.

B. Origin of this Proceeding

This proceeding resulted from two examinations of CSC involving allegations of excessive and unsuitable trading and churning by two former CSC Registered Representatives

[5] The factual findings in this decision are based on the allegations in the attached Corrected Complaint and the additional materials Enforcement filed with its motion, and are further supported by the relevant findings set forth in the Extended Hearing Panel Decision, and supporting evidence cited in that Decision.

[6] Decl. ¶¶ 5, 8-11; CX-1.

("RRs"). The allegations concerning those RRs and other RRs were further reviewed within the scope of an examination of CSC conducted by FINRA's Department of Member Regulation.[7]

C. CSC Engaged in Excessive Trading of Customers' Accounts

The Complaint's first cause of action alleges that CSC, acting through three of its RRs, violated NASD Rule 2310 and NASD IM-2310-02, as well as FINRA Rules 2111 and 2010, by excessively trading in the accounts of 11 CSC customers, DBA/BBI, DH, PG, JB, DB, TD, EK, EH, TP, JBO and WR, between January 2012 and December 2014.

NASD Conduct Rule 2310, which was in effect during a portion of the relevant period, required that "in recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs." It is well established that NASD Rule 2310's suitability requirement was violated where a FINRA member firm's recommendations were quantitatively unsuitable, *i.e.*, a member's RR excessively traded the account.[8] "[E]xcessive trading occurs when a registered representative has control over trading in an account and the level of activity in that account is inconsistent with the customer's objectives and financial situation."[9] NASD IM-2310-02 explained that excessive trading in a customer's account was among the practices that clearly violated a member firm's fundamental obligation of fair dealing.

On July 9, 2012, during the course of CSC's misconduct, NASD Conduct Rule 2310 and NASD IM-2310-02 were superseded by FINRA Rule 2111, which contains a substantially similar requirement that all investment recommendations be based on a representative's diligent assessment of the suitability of the investment for the client. The Supplemental Material issued by FINRA to explain Rule 2111 confirms that the rule imposes a quantitative suitability obligation on FINRA member firms and their RRs, explaining:

> 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.

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[7] Decl. ¶ 14.

[8] *Paul C. Kettler*, 51 S.E.C. 30, 32 (1992) ("Excessive trading represents an unsuitable frequency of trading and violates NASD suitability standards.").

[9] *Dep't of Enforcement v.* O'Hare, No. C9B030045, 2005 NASD Discip. LEXIS 39, at *15 (Apr. 21, 2005).

Violations of NASD Rule 2310 and NASD IM-2310-02, while they were in effect, or of FINRA Rule 2111 also constituted violations of FINRA Rule 2010.[10]

In the Extended Hearing Panel Decision cited above, the Panel found that one of CSC's RRs excessively traded the accounts of CSC customers EK, EH, JBO,[11] TP and WR, and another RR excessively traded the account of CSC customer DBA/BBI.[12] The Panel found that the RRs exercised de facto control over those accounts and that, in light of the level of commissions, markups, markdowns and other charges to the customers, the level of trading was inconsistent with the customers' objectives and financial situation. I adopt those findings for purposes of this Default Decision. Further, based on the allegations in the Corrected Complaint regarding the trading in the accounts of customers DH, PG, JB, DB and TD, which are deemed admitted, as well as the evidence submitted by Enforcement regarding the cost-to-equity ratios and turnover rates in the accounts, I find that the trading in those accounts was also excessive. CSC's RRs had de facto control over the trading in the accounts. Furthermore, in light of the level of commissions, markups, markdowns and other charges to the customers, the level of trading was inconsistent with the customers' objectives and financial situations.[13]

CSC is responsible for the excessive trading of customer accounts by its RRs. First, under both NASD Rule 2310 and FINRA Rule 2111, a FINRA member firm bears primary responsibility for ensuring that its RRs' recommendations to customers are both qualitatively and quantitatively suitable. Second, the RRs' excessive trading was undertaken by the RRs as agents of CSC. The customers were customers of the firm; the trading was conducted using CSC's systems and was fully disclosed to CSC's management; and CSC was a primary beneficiary of the trading, earning commissions, including markups and markdowns, as well as other fees. As a result, CSC is responsible for the RRs' conduct under basic principles of agency law.[14] Third, CSC is also responsible for the RRs' excessive trading under principles of *respondeat superior*.[15]

Accordingly, I find that, through its RRs' excessive trading of customer accounts, CSC violated NASD Rule 2310 and NASD IM-2310-02, for trading prior to July 9, 2012, and FINRA

[10] *Wendell D. Belden*, 56 S.E.C. 496, 505 (2003).

[11] JBO is referred to as JB in the Extended Hearing Panel Decision, but as JBO in Enforcement's default motion and supporting materials. Both references, however, are to the same individual customer.

[12] Customer DBA/BBI is referred to as DB in the Extended Hearing Panel Decision.

[13] Corrected Complaint ("Compl.") ¶¶ 106-107; CX-19.

[14] *See* Restatement (Third) of Agency, §§ 2.01, 7.04.

[15] *See, e.g., vFinance Investments, Inc.*, Exchange Act Release No. 62448, 2010 SEC LEXIS 2216, at *36-37 n.25 (July 2, 2010); *Dep't of Mkt. Regulation v. Yankee Fin. Group, Inc.*, No. CMS030182, 2006 NASD Discip. LEXIS 21, at *58-62 & n.37 (NAC Aug. 4, 2006).

Rule 2011, for trading from July 9, 2012, through December 31, 2014, and FINRA Rule 2010 for the entire period.[16]

D. CSI Engaged in Churning

The second cause of the Corrected Complaint alleges that the excessive trading in customer accounts also constituted churning. As set forth above, excessive trading requires proof that the RR controlled the trading in a customer's account and that the level of trading in the account was inconsistent with the customer's objectives and financial situation. To establish churning, a third element must also be present–intent to defraud or reckless disregard for the client's interests, *i.e.*, scienter.[17] Churning violates Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), which prohibits the use of "any manipulative or deceptive act or practice" in connection with the purchase or sale of a security, and Exchange Act Rule 10b-5, which forbids "any device, scheme, or artifice to defraud" and "any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security," as well as FINRA Rules 2020[18] and 2010.

As set forth above, I adopt the Extended Hearing Panel's findings that CSC's RRs excessively traded the accounts of customers EK, EH, JBO, TP, WR, and DBA/BBI. Based on the allegations in the Corrected Complaint deemed admitted and the evidence submitted by Enforcement, I also find that the RRs excessively traded the accounts of customers DH, PG, JB, DB and TD. The remaining question is whether the RRs acted with scienter.

In a recent churning case finding scienter, the NAC noted that "[t]he cost-to-equity ratio and turnover rate for [the customer's] account were so high that [the respondent] must have known that he was acting in reckless disregard of [the customer's] interests – [the customer] had to earn nearly 45 percent per year simply to break even." The NAC also stated that "the amount of commissions that [the respondent] generated from trading [the customer's] account demonstrates that he acted with scienter."[19] The Extended Hearing Panel found that the cost-to-equity ratios, the turnover rates, and the amount of commissions generated in the accounts of customers EK, EH, JBO, TP, WR, and DBA/BBI were sufficient to establish that the RRs acted

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[16] NASD Rule 2310 applied to the RRs' excessive trading prior to July 9, 2012, the effective date of FINRA Rule 2011, and Rule 2011 applied to the excessive trading after that date. A violation of any applicable NASD or FINRA rule is also a violation of FINRA Rule 2010's requirement that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

[17] *J. Stephen Stout*, 54 S.E.C. 888, 912 (2000).

[18] FINRA Rule 2020 proscribes fraud in language similar to Section 10(b), stating: "No 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." A violation of Section 10(b) is also a violation of FINRA Rule 2020. *Dep't of Enforcement v. Thomas Weisel Partners, LLC*, No. 2008014621701, 2013 FINRA Discip. LEXIS 1, at *15 (NAC Feb. 15, 2013).

[19] *Dep't of Enforcement v. Davidofsky*, No. 2008015934801, 2013 FINRA Discip. LEXIS 7, at *33 (NAC Apr. 26, 2013).

with scienter under the NAC's reasoning. I adopt those findings for purposes of this Default Decision. Further, I find that the cost-to-equity ratios, turnover rates and commission levels in the accounts of customers DH, PG, JB, DB and TD were also at levels that warrant a finding that the RRs acted with scienter.[20]

As explained above, CSC is responsible for the excessive trading in customer accounts by its RRs. The same facts and legal authorities establish that CSC is also responsible for the churning of the customers' accounts by its RRs.

Accordingly, I find that CSC violated Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, as well as FINRA Rules 2020 and 2010, by churning customer accounts.

E. Failure to Supervise

The Corrected Complaint's third cause alleges that CSC violated NASD Rules 3010(a) and (b) and FINRA Rule 2010 by failing to establish, maintain and enforce a reasonable supervisory system, including written supervisory procedures ("WSPs"), to prevent excessive trading and churning customer accounts, and by failing to adequately supervise three RRs who engaged in excessive trading and churning of customer accounts. In the Extended Hearing Panel Decision, the Panel found that Taddonio, the firm's CEO, President and primary owner, and Porges, the firm's COO and minority owner, were aware of red flags indicating that the three RRs named in the Corrected Complaint, and another RR, were, or might be, excessively trading and churning customer accounts. The Panel concluded that nonetheless, they failed to reasonably respond to those red flags, and thus failed to exercise reasonable supervision. The Panel also found that the firm's WSPs were deficient in various respects with regard to the supervision of the sales and trading practices of the RRs, in order to prevent excessive trading and churning of customer accounts.

I adopt the Extended Hearing Panel's findings and conclusions with regard to Taddonio's and Porges' failure to supervise the RRs and the deficiencies in CSC's WSPs. For the reasons set forth above, CSC is responsible for the supervisory failures of its management and for the deficiencies in its WSPs. Accordingly, I find that CSC failed to establish, maintain and enforce a reasonable supervisory system, including WSPs, and failed to reasonably supervise its RRs, in violation of NASD Rules 3010(a) and (b) and FINRA Rule 2010.

F. Telemarketing Violations

The fourth cause of action set forth in the Corrected Complaint alleges that CSC violated FINRA Rules 3230 and 2010 by failing to establish a reasonable system and procedures to ensure that the firm's sales force avoided contacting persons on the firm–specific do-not-call ("DNC") list and the National do-not-call list. More specifically, the Corrected Complaint alleges that CSC's sales force relied on cold-calling to obtain new customers, and to that end,

[20] CX-19.

CSC provided the sales force with "lead cards" to prospect for new customers. The Corrected Complaint further alleges that the firm relied on an "honor system" to ensure that RRs did not contact persons on the DNC list, whereby members of the sales force would provide names to a sales assistant to place on the DNC list, which was periodically circulated to the RRs. The Corrected Complaint alleges, generally, that CSC's cold-callers routinely failed to check, or ignored, the "honor system" list, and, specifically, that during a review period of May 1, 2014, through July 31, 2014, CSC, through its sales force, placed 1,330 telephone calls to 1,038 telephone numbers on the DNC list.[21] These allegations are deemed admitted.

FINRA Rule 3230(a) provides that "[n]o member or person associated with a member shall initiate any outbound telephone call to … [a]ny person that previously has stated that he or she does not wish to receive an outbound telephone call made by or on behalf of the member." To ensure compliance with this requirement, Rule 3230(d)(3) requires that FINRA member firms engaged in telemarketing must establish procedures that include:

> Recording, disclosure of do-not-call requests. If a member receives a request from a person not to receive calls from that member, the member must record the request and place the person's name, if provided, and telephone number on the firm's do-not-call list at the time the request is made. Members must honor a person's do-not-call request within a reasonable time from the date such request is made. This period may not exceed 30 days from the date of such request. If such requests are recorded or maintained by a party other than the member on whose behalf the outbound telephone call is made, the member on whose behalf the outbound telephone call is made will be liable for any failures to honor the do-not-call request.

Based on the allegations in the Corrected Complaint deemed admitted, I find that CSC failed to establish reasonable DNC list procedures, as required by Rule 3230(d)(3), and, through its RRs, made more than 1,300 calls to individuals who had previously indicated that they did not want to receive telephone calls made by or on behalf of CSC. Accordingly, I find that CSC violated FINRA Rules 3230 and 2010.

G. False Statements

The fifth cause of the Corrected Complaint alleges that CSC falsely denied the existence of any recording devices at the firm or the existence of any recorded telephone conversations between CSC's RRs and firm customers, in violation of FINRA Rules 8210 and 2010. More specifically, the Corrected Complaint alleges that in order to fully investigate possible sales practice abuses taking place at CSC, including the excessive trading and churning of customer accounts, Enforcement sought to obtain recorded telephone conversations between CSC's RRs and firm customers. To that end, Enforcement sent written requests for information to CSC,

[21] Compl. ¶¶ 129-131.

pursuant to FINRA Rule 8210, on March 10, 2015, and April 3, 2015, requesting that the firm provide copies of tape recorded conversations between brokers and customers and information about the recording devices used at the firm. The Corrected Complaint alleges that CSC provided written responses to the requests on March 24, 2015, and April 3, 2015, in which CSC falsely denied the use or existence of recording devices at the firm, or the existence of tape recorded conversations. In fact, the Corrected Complaint alleges, from at least June 2012 through April 2014, CSC used a variety of recording systems to record brokers' telephone conversations with customers, and during that period the firm purchased at least 39 taping devices and distributed them to RRs to enable them to tape record their conversations with customers.[22] I deem these allegations admitted for purposes of this Default Decision.

In the Extended Hearing Panel Decision cited above, the Panel made findings relating to parallel allegations that Taddonio and Porges gave false testimony during Enforcement's investigation, denying the existence of any recording devices or recordings at the firm. I adopt those findings for purposes of this Default Decision. The evidence received by the Panel, including purchase receipts, photos of recording devices on RRs' desks in the firm's offices, and recordings of telephone conversations between firm personnel and firm customers, established that the firm purchased a variety of recording equipment for the firm's RRs and that at least some calls with customers were recorded. CSC's written denials that there were any devices or recordings, like the testimony of Taddonio and Porges to that effect, were false.

FINRA Rule 8210(a) authorizes FINRA staff, for purposes of an investigation, examination or proceeding, to require a FINRA member to provide information in writing with respect to any matter involved in a FINRA investigation. Providing false information in response to a request is a violation of Rule 8210.[23] Accordingly, based on the facts set forth above, I find that CSC violated FINRA Rules 8210 and 2010 by providing false information to FINRA regarding the use of recording equipment and the recording of telephone calls at the firm.

IV. Sanctions

A. Excessive Trading and Churning

For a firm engaging in excessive trading or churning, the FINRA Sanction Guidelines recommend a fine of $5,000 to $110,000, consideration of a suspension of the firm with respect to a limited set of activities or functions for up to three months, or, where aggravating factors

[22] Compl. ¶¶ 134-136. In fact, based on the evidence adduced at the hearing, the Panel found that the firm purchased at least 50 recording devices of various types from June 2012 to April 2014 for a total cost of $4,300.20.

[23] *Geoffrey Ortiz*, Exchange Act Release No. 58416, 2008 SEC LEXIS 2401, at *23 (Aug. 22, 2008).

predominate, consideration of a suspension with respect to any or all relevant activities or functions for longer than three months, or expulsion.[24]

In light of the number of customer accounts excessively traded and churned; the number of RRs involved; the length of time over which the excessive trading and churning occurred; the deficiencies in CSC's supervision and WSPs that allowed the excessive trading and churning to take place and to continue over an extended period; the injury to the affected customers; and the benefits that the firm enjoyed as a result of the actions of the RRs, I conclude that expulsion of the firm is the appropriate sanction for the excessive trading and churning violations. Because the firm is out of business and its FINRA membership has been cancelled, I conclude that no monetary sanctions should be imposed; if the firm were still viable, I would impose a fine at the top of the recommended range and would consider other monetary sanctions such as restitution to injured customers.

B. Failure to Supervise

For failure to supervise, in egregious cases the Sanction Guidelines recommend consideration of a suspension of the firm with respect to any or all activities or functions for up to 30 business days, as well as a fine of $5,000 to $73,000.[25] For the reasons set forth in the preceding section, CSC's failure to supervise was highly egregious and would certainly warrant sanctions at the very top of the recommendations in the Guidelines. In light of the expulsion of the firm, however, and the fact that it is out of business, I will not impose any separate sanctions for this violation.

C. Telemarketing Violations

For failure to establish procedures to comply with Rule 3230(a), the Guidelines recommend a fine of $5,000 to $37,000 and in egregious cases, consideration of a suspension of the firm with respect to any or all activities or functions, including telemarketing activities, for up to one year.[26]

In this case, the violations were egregious, since the failure to have reasonable procedures in place led to more than 1,000 calls to persons on the DNC list in a period of just three months. Accordingly, sanctions at the upper end of the Guidelines' recommendations would be appropriate. Once again, however, in light of the expulsion of the firm for other violations and the fact that it is out of business, I will not impose additional sanctions for this violation.

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[24] FINRA Sanction Guidelines ("Guidelines") at 78, 95 (2017), http://www.finra.org /industry/sanction-guidelines. Because the excessive trading and churning violations involve the same trading in the same customer accounts, I find it appropriate to impose a single sanction for the two violations.

[25] Guidelines at 104.

[26] *Id.* at 96.

D. False Responses to Requests for Information

For failing to respond truthfully to requests for information, the Guidelines recommend in egregious cases consideration of expulsion of the firm, as well as a fine of $25,000 to $73,000. The Guidelines provide that the Principal Consideration in setting sanctions for failing to respond truthfully is the importance of the information requested, as viewed from FINRA's perspective. [27]

CSC's failure to provide truthful responses to Enforcement's requests for information regarding the recording of telephone calls at the firm was egregious. In an investigation of possible sales practice violations, including excessive trading and churning, the content of the communications between the firm and its customers is of paramount importance. Typically, and in this case, the firm and its RRs dispute the customers' versions of those communications and the customers may not be able to recall all the conversations they had with the firm's RRs clearly, or at all. Recordings, however, provide clear, indisputable proof of the content of the communications, and are thus vitally important to FINRA.

I conclude, therefore, that the appropriate sanction for CSC's failure to respond truthfully to Enforcement's requests for information pursuant to Rule 8210 is expulsion of the firm from FINRA membership. In light of the expulsion and because the firm is out of business, no monetary sanctions will be imposed.

V. Order

CSC is expelled from FINRA membership for (1) excessive trading and churning of customer accounts, in violation of NASD Rule 2310 and NASD IM-2310-02, FINRA Rules 2111, 2020 and 2010, and Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5; and (2) providing false information in response to requests for information, in violation of FINRA Rules 8210 and 2010. No monetary sanctions are imposed for those violations and no additional sanctions are imposed for CSC's failure to supervise and telemarketing violations. The expulsions shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.

David M. FitzGerald
Hearing Officer

[27] *Id*. at 33.

Copies to: Craig Scott Capital, LLC (via first-class mail)
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