

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

FARID MORIM  
(CRD No. 5023477),

Respondent.

Disciplinary Proceeding  
No. 2015047528202

Hearing Officer–MJD

**DEFAULT DECISION**

January 26, 2018

**Respondent is barred from associating with any FINRA member firm in any capacity for failing to produce information and documents, in violation of FINRA Rules 8210 and 2010.**

For the Complainant: Andrew Kampel, Esq., Tiffany Buxton, Esq., and Richard Chin, Esq.,  
Department of Enforcement, Financial Industry Regulatory Authority.

For Respondent: No appearance.

**DECISION**

The Department of Enforcement opened an investigation into Respondent Farid Morim’s (“Morim” or “Respondent”) potential conversion of customer assets and undisclosed outside business activities while he was associated with J.P. Morgan Securities LLC. As part of the investigation, Enforcement sent Respondent requests for information and documents pursuant to FINRA Rule 8210. Morim provided untimely responses to the first requests for information and documents and failed altogether to respond to additional requests Enforcement sent about six months later. For violating FINRA Rules 8210 and 2010, Respondent is barred from associating with any FINRA member firm in any capacity.

Enforcement properly served Morim with two Notices of the Complaint and the Complaint. Morim did not file an Answer to the Complaint. On December 22, 2017, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”) supported by the Declaration of Andrew Kampel (“Kampel Decl.”) and seven exhibits (CX-1 through CX-7). Morim did not respond to the motion.

Thus, I grant Enforcement's motion and deem the facts alleged in the Complaint admitted pursuant to FINRA Rules 9215(f) and 9269(a). For the reasons set forth below, I find Respondent in default and grant Enforcement's Default Motion.

## **I. Findings of Fact and Conclusions of Law**

### **A. Background**

Morim first registered in 2005. He was registered with J.P. Morgan as a General Securities Representative from October 2012 to October 28, 2015, when the firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") to terminate his registration.<sup>1</sup> As grounds for termination, J.P. Morgan reported on the Form U5 that Morim "added himself as power of attorney on a client's bank account."<sup>2</sup> On September 30, 2016, J.P. Morgan filed an amended Form U5 to report that it was conducting an internal review into Respondent's potential conversion of another customer's funds from an affiliate bank and a brokerage account.<sup>3</sup>

### **B. Jurisdiction**

Morim was last registered with FINRA on October 28, 2015. Although he is not currently associated with a FINRA member firm, FINRA has jurisdiction over this disciplinary proceeding pursuant to Article V, Section 4(a) of FINRA's By-Laws because (i) the Complaint was filed within two years after the termination of Morim's registration, and (ii) the Complaint charges him with failing to comply with requests for information and documents that FINRA staff issued during the two-year period following the termination of his FINRA registration.

### **C. Origin of the Investigation**

FINRA initiated its investigation into Morim's possible misconduct after reviewing the Form U5 filings by J.P. Morgan.<sup>4</sup> The investigation led to the filing of the Complaint in this matter.

### **D. Respondent Defaulted by Failing to Answer the Complaint**

Enforcement served Morim with the Complaint, First Notice of Complaint, and Second Notice of Complaint in accordance with FINRA Rules 9131 and 9134. Enforcement served the Complaint and First Notice of Complaint on September 29, 2017, and the Complaint and Second Notice of Complaint on October 31, 2017.<sup>5</sup> In each case, Enforcement served Morim by first-

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<sup>1</sup> Complaint ("Compl.") ¶¶ 3-4; Kampel Decl. ¶¶ 4-6; CX-1, at 1-2; CX-2, at 1.

<sup>2</sup> Kampel Decl. ¶ 6; CX-2, at 1.

<sup>3</sup> Compl. ¶ 4; Kampel Decl. ¶ 7; CX-3, at 6-7.

<sup>4</sup> Kampel Decl. ¶ 9.

<sup>5</sup> Kampel Decl. ¶¶ 18, 22.

class certified mail addressed to his last known residential address recorded in FINRA's Central Registration Depository ("CRD"), as well as two other addresses provided by Morim and his counsel.<sup>6</sup> Thus, Morim received valid constructive notice of this proceeding.<sup>7</sup>

Pursuant to Rule 9215, Morim's Answer was due by November 17, 2017. Morim did not file an Answer to the Complaint and Second Notice of Complaint. Thus, Morim is in default.

On November 24, 2017, I issued an Order instructing Enforcement to file a Default Motion because Morim failed to file an Answer. On December 22, 2017, Enforcement filed a Default Motion. Pursuant to FINRA Rules 9215(f) and 9269(a)(2), I grant the Default Motion,<sup>8</sup> and deem the allegations in the Complaint admitted.

### **E. The Charges and Applicable Rules**

The two-cause Complaint alleges that Morim violated FINRA Rules 8210 and 2010. Cause one charges Morim with failing to timely respond to requests for information and documents Enforcement sent in mid-2016. Cause two charges Morim with a complete failure to respond to requests for information and documents that Enforcement sent him in early 2017.

FINRA Rule 8210 requires persons subject to its jurisdiction to provide information to FINRA upon request. FINRA Rule 8210 is considered to be among FINRA's most important tools for investigating potential wrongdoing.<sup>9</sup> "FINRA Rule 8210 is unequivocal and grants FINRA broad authority to obtain information concerning an associated person's securities-related business ventures."<sup>10</sup> Furthermore, "[a]ssociated persons therefore must cooperate fully in providing FINRA with information and may not take it upon themselves to determine whether the information FINRA has requested is material."<sup>11</sup>

FINRA Rule 8210(a)(1) authorizes FINRA, in the course of an investigation, to require persons subject to its jurisdiction to "provide information ... in writing, or electronically ... with respect to any matter involved in the investigation." FINRA Rule 8210(a)(2) authorizes FINRA to "inspect and copy the books, records, and accounts" of persons subject to its jurisdiction "with respect to any matter involved in the investigation ... that is in such ... person's possession, custody, or control." FINRA Rule 8210(c) provides that: "No member or person shall fail to

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<sup>6</sup> Kampel Decl. ¶¶ 13-15, 17-18, 22-23; CX-4, at 1; CX-5; CX-6, at 1; CX-7.

<sup>7</sup> See, e.g., *Dep't of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at \*20-21 n.21 (NAC June 3, 2014), *aff'd*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

<sup>8</sup> Respondent may move to set aside the default under FINRA Rule 9269(c) upon a showing of good cause.

<sup>9</sup> See *Dep't of Mkt. Regulation v. Sciascia*, No. CMS040069, 2006 NASD Discip. LEXIS 22, at \*11 (NAC Aug. 7, 2006) (analyzing NASD Procedural Rule 8210, the predecessor to FINRA Rule 8210).

<sup>10</sup> *Dep't of Enforcement v. Gallagher*, No. 2008011701203, 2012 FINRA Discip. LEXIS 61, at \*12 (NAC Dec. 12, 2012).

<sup>11</sup> *Id.* at \*13 (citing *CMG Inst. Trading, LLC*, Exchange Act Release No. 59325, 2009 SEC LEXIS 215, at \*21 (Jan. 30, 2009)).

provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule.” It is a violation of FINRA Rule 8210 for a person to fail to provide information sought by FINRA. Failing to respond in a timely manner to requests for information is also a violation of Rule 8210.<sup>12</sup>

### **1. Respondent Failed to Provide Information and Documents in a Timely Manner**

Pursuant to Rule 8210, Enforcement sent Morim requests for information and documents on July 15, August 12, and August 24, 2016. Morim was required to respond to the last request and produce the information and documents by September 6, 2016.<sup>13</sup> Enforcement mailed the July 15 Rule 8210 letter to Morim’s attorney. On August 5, 2016, the attorney informed Enforcement that he no longer represented Morim. Accordingly, the August 12 and August 24, 2016, request letters were mailed to Morim at his last known residential address recorded in CRD and additional mailing addresses he and his attorney had given FINRA.<sup>14</sup>

On September 26, 2016, Enforcement sent Morim a Notice of Suspension pursuant to FINRA Rule 9552, informing him that he would be suspended from association with any member firm on October 20, 2016, if he failed to respond to the requests for information and documents. On October 20, 2016, Morim provided the information and documents to Enforcement via email.<sup>15</sup> Morim’s response to the first request for information dated July 15, 2016, was 76 days late.<sup>16</sup>

By failing to respond to FINRA’s requests for information and documents in a timely manner, as alleged in cause one, Morim violated Rules 8210 and 2010.<sup>17</sup>

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<sup>12</sup> *Morton Bruce Erenstein*, Exchange Act Release No. 56768, 2007 SEC LEXIS 2596, at \*24 (Nov. 8, 2007) (finding that respondent failed to respond timely to information requests, in violation of Rules 8210 and 2010), *petition denied*, 316 Fed. App’x 865 (11th Cir. 2008).

<sup>13</sup> The three Rule 8210 requests sought the production of the same information and documents. Compl. ¶¶ 12, 15. Morim was required to respond to the July 15, 2016 request by August 5, 2016, and the August 12, 2016 request by August 23, 2016. Kampel Decl. ¶¶ 10, 14.

<sup>14</sup> Compl. ¶¶ 10-17; Kampel Decl. ¶¶ 10, 12.

<sup>15</sup> Kampel Decl. ¶ 10.

<sup>16</sup> Compl. ¶ 20; Kampel Decl. ¶ 10.

<sup>17</sup> It is well-established that a violation of Rule 8210 is also a violation of Rule 2010. *See CMG Inst. Trading, LLC*, 2009 SEC LEXIS 215, at \*29-30; *Stephen J. Gluckman*, 54 S.E.C. 175, 185 (1999).

## 2. Respondent Failed to Respond to Requests for Information and Documents

On April 3, 2017, and May 4, 2017, Enforcement requested that Morim provide additional documents and information pursuant to Rule 8210.<sup>18</sup> The requests were mailed to Morim's CRD address and the two other addresses that Morim and his former attorney had provided to Enforcement.<sup>19</sup>

As alleged in cause two, Morim never provided the information and documents Enforcement requested in 2017. Thus, Morim violated FINRA Rules 8210 and 2010.

### II. Sanctions

Both causes of action charge Morim with violations of FINRA Rules 8210 and 2010. I bar Respondent for failing to respond to Enforcement's requests for information, as alleged in cause two. In light of the bar, I do not impose sanctions for Respondent's untimely responses to Enforcement's requests, as alleged in cause one.

In cases where an individual did not respond to requests for information in a timely manner, FINRA's Sanction Guidelines ("Guidelines") recommend a fine between \$2,500 and \$37,000 and a suspension of up to two years.<sup>20</sup> The principal considerations in instances involving a failure to timely respond are: (i) the importance of the information requested viewed from FINRA's perspective, (ii) the number of requests required to obtain a response, and (iii) the length of time to respond. Enforcement was investigating serious allegations involving conversion.<sup>21</sup>

I find it aggravating that Enforcement sent Morim three information requests and then had to file an expedited proceeding under Rule 9552. Morim responded more than two months after his response was due under the first request and after Enforcement was forced to commence an expedited proceeding. I find it appropriate to fine Morim \$30,000 and suspend him for 18 months for failing to timely respond to requests for information and documents. In light of the bar that I impose for cause two for failing to respond to requests for information, I do not impose a sanction for cause one.

As alleged in cause two, Morim failed to respond to FINRA staff's requests in April and May 2017 to produce information and documents. The Guidelines recommend that, if an

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<sup>18</sup> On March 21, 2017, Morim appeared for an on-the-record interview, pursuant to Rule 8210. Morim brought copies of documents to the interview and testified that the documents were pertinent to the investigation. He did not give Enforcement copies of the documents at the interview. During the interview, and while on the record, Enforcement requested copies of the documents by March 31, 2017, and Morim agreed to produce them. However Morim did not produce the materials. Compl. ¶ 23.

<sup>19</sup> Compl. ¶¶ 24, 27; Kampel Decl. ¶ 12.

<sup>20</sup> FINRA Sanction Guidelines at 33 (2017), [http://www.finra.org/sites/default/files/Sanctions\\_Guidelines.pdf](http://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf).

<sup>21</sup> *Id.*

individual does not respond in any manner, a bar in all capacities should be standard.<sup>22</sup> The Guidelines further provide that, when an individual fails to respond, the principal consideration in determining sanctions is the importance of the information requested (as viewed from FINRA's perspective).<sup>23</sup>

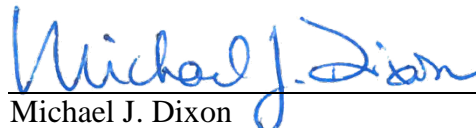
The information and documents were needed for FINRA to perform its regulatory function to fully investigate potential misconduct. Enforcement was investigating allegations that Morim converted customer funds and engaged in undisclosed outside business activities, both serious charges. Morim's failure to provide the information prevented FINRA from completing its regulatory responsibilities.<sup>24</sup> The evidence reveals no excuse for his failure to respond to FINRA's requests.

I find that there are no mitigating factors. Thus, the appropriate sanction is a bar in all capacities.

### **III. Order**

Respondent Farid Morim is barred from associating with any FINRA member firm in any capacity for violating FINRA Rules 8210 and 2010.

The bar shall become effective immediately if this Default Decision becomes FINRA's final disciplinary action.

  
Michael J. Dixon  
Hearing Officer

Copies to: Farid Morim (*via overnight courier and first-class mail*)  
Andrew Kampel, Esq. (*via email and first-class mail*)  
Tiffany Buxton, Esq. (*via email*)  
Richard Chin, Esq. (*via email*)  
Jeffrey D. Pariser, Esq. (*via email*)

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<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Dep't of Enforcement v. Sahai*, No. C9B020032, 2004 NASD Discip. LEXIS 14, at \*19-20 (NAC Aug. 12, 2004) (finding that a person who fails to respond to FINRA requests for information subverts FINRA's regulatory responsibilities).