

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043542410**

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

RE: Barbara Lucille Desiderio
Former Registered Representative
CRD No. 2080713

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me 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

Barbara Lucille Desiderio entered the securities industry in July 1990. Until June 5, 2015, she was registered as a General Securities Principal and in several other capacities with various FINRA member firms. From October 24, 2013 to June 5, 2015, she was registered with Global Arena Capital Corp. ("Global Arena" of the "firm"). From October 24, 2013 to August 10, 2014, Desiderio was a manager and supervisor of the firm's branch located at located at 1350 Sixth Avenue and, later, 880 Third Avenue, New York, NY (the "Sixth Avenue Branch"). From August 11, 2014 until she resigned from the firm on June 30, 2015, she was the President of Global Arena, and remained responsible for supervision of the Sixth Avenue Branch.

Although Desiderio has not been associated with a FINRA member firm since her resignation from Global Arena on June 30, 2015, she remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

OVERVIEW

From November 2013 to June 2015 (the “relevant period”), Desiderio participated in a scheme to defraud customers in order to generate commissions and markups. Instead of supervising brokers in the Sixth Avenue Branch, she allowed them to churn customer accounts. She provided instructions to inexperienced supervisors that caused the alerts generated by the firm’s electronic compliance systems—which were purportedly designed to detect and prevent excessive trading—to be ignored and automatically approved. To allow the fraudulent scheme to continue, she made misstatements to customers and failed to provide documents and facts to FINRA Examination staff. She also made and permitted to be made false statements in response to FINRA’s requests for documents and information. She also refused to appear for her scheduled testimony. Desiderio thereby willfully violated Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder, and violated FINRA Rules 2020, 2010, 3110, and 8210.

FACTS AND VIOLATIVE CONDUCT

Facts

The Sixth Avenue Branch of Global Arena

Global Arena was a retail broker-dealer with offices in New York and Florida. The firm filed an application to withdraw from FINRA membership on June 5, 2015 and is no longer in business. On July 20, 2015, FINRA cancelled its registration.

On October 24, 2013, Global Arena opened the Sixth Avenue Branch to register certain brokers who had been discharged by another FINRA member firm. The branch’s business model involved daily calls to thousands of potential and existing customers, including senior citizens, to make solicited recommendations of securities. Because the branch typically charged its customers a 3.9% markup or markdown per trade, the purchase and sale of a single security would typically cost a customer 7.8%.

During the relevant period, employees in the Sixth Avenue Branch engaged in a scheme to defraud their customers and obtain unwarranted commissions and markups. They churned customer accounts and they made material misrepresentations and omissions in connection with the sale of securities. For example, when recommending junk bonds that were trading at substantial discounts, brokers made baseless predictions to customers that the bonds would be called at par and that the customer would make extraordinary returns within a short period of time. Senior brokers also directed junior brokers to cold call potential customers using misleading sales scripts to induce them to open new accounts. Once an account was opened, senior brokers recommended frequent in-and-out trading at levels that were presumptively excessive. Due to the high commissions charged, this excessive trading activity caused significant customer losses.

Desiderio was aware that another individual with a significant financial interest in the

Sixth Avenue Branch, who functioned as its *de facto* owner, directed the brokers to engage in the foregoing sales practice abuses, distributed materially misleading sales scripts, and encouraged brokers at the branch to churn customer accounts.¹

Desiderio's Misconduct

As a branch manager, supervisor, and ultimately the firm's President, Desiderio was responsible for supervising the employees of the Sixth Avenue Branch. Instead of doing so, Desiderio participated in the scheme described above. She knowingly allowed the brokers under her supervision to engage in the fraud and engaged in deceptive acts to allow that activity to continue.

To allow customer accounts to be churned, Desiderio arranged for the trading alerts in the firm's electronic systems—which were supposed to detect excessive trading—to be automatically approved by the firm's principals. By providing instructions to inexperienced principals under her direct supervision, she caused those principals to write "velocity is ok" or "asset reallocation" in the firm's electronic systems in order to clear the alerts, even when there was no basis for those statements. Desiderio did not supervise or correct those alerts. She also caused customer accounts that repeatedly triggered the firm's exception reports to be suppressed from doing so in the future. She failed to take proper steps to prevent the brokers from engaging in excessive trading or churning. Instead, Desiderio approved and entered trades that she knew had been recommended to generate commissions or markups and that had been solicited by means of material misrepresentations and omissions.

Desiderio also knowingly sent materially misleading "activity letters" to customers whose accounts were excessively traded. The "activity letters" falsely stated that the fees the customer was incurring had been disclosed to them. When customers attempted to contact her to discuss their concerns, she avoided their calls. When responding to customer complaints, she made statements to customers about the activities of the registered representatives she supervised that she knew or reasonably should have known were false.

Desiderio also was made aware of facts indicating that certain individuals in the Sixth Avenue Branch were executing unauthorized trades in order to obtain customers funds to which they were not entitled. In spite of this, she allowed these individuals to continue executing the unauthorized trades and to remain employed by the branch.

Desiderio also hired, registered, and caused junior brokers—many of them recent college graduates—to work under the direction of the firm's senior brokers. She knew that the senior brokers were directing the junior brokers to cold call potential customers from lead sheets and to solicit purchases of junk bonds using sales presentations that contained materially misleading statements and omissions of material fact. Desiderio took no steps

¹ On July 1, 2015, FINRA barred this individual from associating with any FINRA member for willfully violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder in connection with conduct at his prior firm.

to supervise the activities of the junior brokers. As a result of Desiderio's actions and inactions, the junior brokers made materially misleading statements and omitted material facts when selling the junk bonds to customers.

In addition, during a FINRA examination of the Sixth Avenue Branch, Desiderio concealed and permitted to be concealed evidence from FINRA staff in order to avoid detection of the firm's ongoing misconduct. She also made and permitted individuals to make false statements denying the use of sales scripts in responses to FINRA Rule 8210 requests. Finally, she failed and refused to appear for testimony requested pursuant to FINRA Rule 8210 on June 5, 2015 and on June 9, 2015.

Violations

Section 10(b) of the Securities Exchange Act makes it unlawful for any person to employ "any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe." Section 10b-5, promulgated thereunder, provides that in connection with the purchase or sale of any security, "[i]t shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange: (a) to employ any device, scheme or artifice to defraud, (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person."

FINRA Rule 2020 is similar to Rule 10b-5 and provides that a member may not "effect any transaction in, or induce the purchase or sale of, any security by any manipulative, deceptive or other fraudulent device or contrivance."

FINRA Rule 2010 provides that a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

FINRA Rule 3110(a) requires member firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Individuals who fail to exercise their supervisory responsibilities reasonably violate FINRA Rule 3110.

FINRA Rule 8210 authorizes FINRA, in the course of an investigation, to require members and persons subject to its jurisdiction to "provide information orally, in writing, or electronically." Rule 8210 further states that "[n]o . . . person shall fail to provide information . . . pursuant to this Rule."

As described above, Desiderio failed to supervise the Sixth Avenue Branch and, instead, participated in a scheme to defraud customers to obtain unwarranted commissions and markups. She also caused material evidence to be concealed from FINRA examination

staff and false statements to be made in response to Rule 8210 requests, and failed to appear for testimony noticed pursuant to FINRA Rule 8210. As a result of the foregoing conduct, Desiderio willfully violated Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder, and violated FINRA Rules 2020, 2010, 3110, and 8210.

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

- A bar from associating with any FINRA member.

The sanction imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

I understand that this settlement includes a finding that I failed to supervise an individual who violated Section 10(b) of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

I understand that this settlement includes a finding that I willfully violated Section 10b and Rule 10b-5 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

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).

II.

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

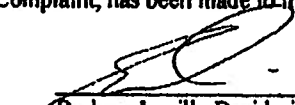
I understand that:

- 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; and
 - 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.

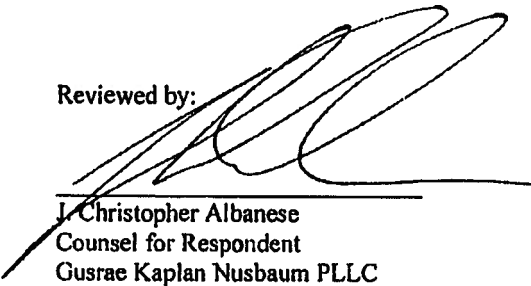
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

8/29/15
Date (mm/dd/yyyy)



Barbara Lucille Desiderio, Respondent

Reviewed by:

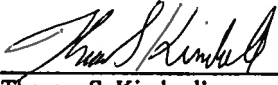


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Accepted by FINRA:

9/11/15
Date

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



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