

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018058278601**

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

RE: Joseph A. Lianzo (Respondent)
General Securities Representative
CRD No. 4516842

Pursuant to FINRA Rule 9216, Respondent Joseph A. Lianzo 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 in this AWC.

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

In April 2002, Lianzo first became registered as a General Securities Representative (GS) through a FINRA member. Lianzo was registered as a GS through Laidlaw & Company (UK) Ltd. (CRD No. 119037) from September 2015 through April 2017. Since September 2017, he has been registered as a GS through SW Financial (CRD No. 145012).¹

OVERVIEW

Between March 2016 and November 2019, Lianzo excessively traded four customers' accounts in violation of FINRA Rules 2111 and 2010. Lianzo also placed 13 unauthorized transactions in accounts of two of those four customers, in violation of FINRA Rule 2010.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a customer's complaint against Lianzo.

Excessive Trading

FINRA Rule 2111(a) provides in pertinent part that “[a] member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” As explained in the Supplementary Material found at 2111.05(c):

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, 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.²

Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account must appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. A turnover rate of six or a cost-to-equity ratio above 20 percent generally indicates that excessive trading has occurred.

A violation of FINRA Rule 2111 also violates FINRA Rule 2010, which requires associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

During the relevant period, Lianzo engaged in quantitatively unsuitable trading in the account of one customer at Laidlaw, Customer A, and in the accounts of three customers at SW Financial, Customers B, C and D. Lianzo recommended the trading in the accounts for the four customers and they routinely followed his recommendations. As a result, Lianzo exercised *de facto* control over the four customers’ accounts. Lianzo’s trading of the accounts resulted in high turnover rates and cost-to-equity ratios as well as significant losses.

² FINRA Rule 2111 was amended effective June 30, 2020. The quoted text is from the pre-June 30, 2020 version of Rule 2111, which was in effect during the time period relevant to this AWC.

Specifically, Lianzo engaged in quantitatively unsuitable trading in Customer A's account. Between March 2016 and March 2017, Customer A's account exhibited an annualized turnover rate of 35 and an annualized cost-to-equity ratio of 145%. Customer A's account incurred losses of \$42,487 and paid \$15,169 in commissions.

During the period October 2017 through November 2019, Lianzo engaged in quantitatively unsuitable trading in the accounts of Customers B, C, and D:

- Customer B's account exhibited an annualized turnover rate of 15 and an annualized cost-to-equity ratio of 65%. Customer B's account incurred losses of \$95,570 and paid \$22,975 in commissions.
- Customer C's account exhibited an annualized turnover rate of 18 and an annualized cost-to-equity ratio of 78%. Customer C's account incurred losses of \$112,173 and paid \$51,781 in commissions.
- Customer D's account exhibited an annualized turnover rate of 15 and an annualized cost-to-equity ratio of 72%. Customer D's account incurred losses of \$43,078 and paid \$37,581 in commissions.

Lianzo's trading in his four customers' accounts was excessive and unsuitable given the customers' investment profiles.

Therefore, Lianzo violated FINRA Rules 2111 and 2010.

Unauthorized Trading

FINRA Rule 2010 requires associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade." Unauthorized trading, or executing transactions in a customer's account without the customer's prior authorization, knowledge or consent, violates FINRA Rule 2010.

Between February 14, 2017 and March 16, 2017, while registered through Laidlaw, Lianzo placed seven trades in Customer A's account without Customer A's authorization, knowledge or consent.

Between August 9, 2018 and October 31, 2018, while registered through SW Financial, Lianzo placed six trades in Customer B's account without Customer B's authorization, knowledge or consent.

Therefore, Lianzo violated FINRA Rule 2010.

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

- An eight-month suspension from associating with any FINRA member in all capacities.

Respondent has submitted a statement of financial condition and demonstrated an inability to pay. In light of Respondent's financial status, no monetary sanctions have been imposed.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he 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, he 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.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 him;
- 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 its acceptance or rejection.

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 its subject matter 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 testimonial obligations or 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 he 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.

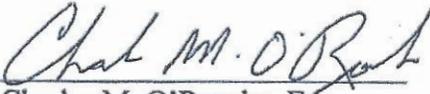
Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

July 28th 2021
Date



Joseph A. Lianzo
Respondent

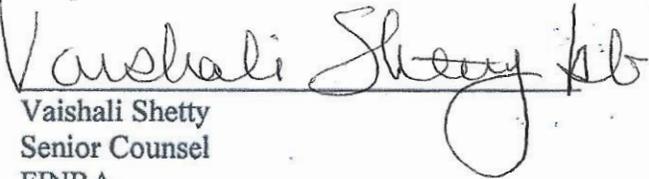
Reviewed by:



Charles M. O'Rourke, Esq.
Counsel for Respondent
2 Swenson Drive
Woodbury, NY 11797

Accepted by FINRA:

8/31/2021
Date

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


Vaishali Shetty
Senior Counsel
FINRA
Department of Enforcement
Two Jericho Plaza, 3rd Floor
Jericho, New York 11753