

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022076491301**

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

RE: Christopher Reynolds (Respondent)  
Former Investment Company and Variable Contracts Products Representative  
CRD No. 5976029

Pursuant to FINRA Rule 9216, Respondent Christopher Reynolds 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 accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Reynolds entered the securities industry in 2011. Between September 2021 and January 24, 2023, Reynolds was registered as an Investment Company and Variable Contracts Products Representative through an association with Pruco Securities, LLC (CRD No. 5685). On January 24, 2023, Pruco filed a Uniform Termination Notice for Securities Industry Registration (Form U5), disclosing that it had discharged Reynolds because he “submitted non-genuine client signatures on multiple applications; with the intent to evade suitability review, failed to disclose transactions as replacements; and used his personal email address to transmit client documents.”

Although Reynolds is not currently associated with a FINRA member, he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-Laws.<sup>1</sup>

**OVERVIEW**

Between September 2021 and January 2023, Reynolds forged the signatures of three customers on 11 documents, including documents concerning withdrawals or surrenders of annuities in violation of FINRA Rule 2010. Additionally, by forging customers’ signatures, Reynolds caused his member firm employer, Pruco, to maintain inaccurate books and records, in violation of FINRA Rules 4511 and 2010.

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<sup>1</sup> For more information about the respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Furthermore, between September 2021 and January 2023, Reynolds recommended that four customers make annuity withdrawals or surrenders and reinvest the proceeds in a registered index-linked annuity without having a reasonable basis to believe those transactions were in his customers' best interests. Therefore, Reynolds willfully violated Rule 15c-1 of the Securities Exchange Act of 1934 (Regulation BI or Reg BI) and violated FINRA Rule 2010.

Additionally, Reynolds used his personal email account and cell phone to exchange securities-related communications with firm customers. In so doing, he caused his firm to fail to retain the emails and text messages as part of its books and records, in violation of FINRA Rules 4511 and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a regulatory tip made to FINRA.

#### **Reynolds forged customer signatures.**

FINRA Rule 2010 requires an associated person "to observe high standards of commercial honor and just and equitable principles of trade" in the conduct of his or her business. Forgery occurs when one person signs another person's name or initials on a document without the other person's prior permission. Forgery is a violation of FINRA Rule 2010.

FINRA Rule 4511 requires members to "make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Exchange Act Rule 17a-3(a)(17) requires firms to maintain records of brokerage accounts. Inherent in the obligation to make and preserve books and records is the requirement that they be accurate. A registered representative who forges firm records causes the firm to maintain inaccurate records and, thereby, violates FINRA Rule 4511. A violation of FINRA Rule 4511 is also a violation of FINRA Rule 2010.

Between September 2021 and January 2023, Reynolds, without having the customers' permission to do so, electronically signed or hand signed customers' names on hard copy documents for three customers on 11 account documents. These account documents included transfer of assets forms and 1035 exchange/rollover/transfer forms and were required books and records of the firm. For two of these customers, Reynolds signed the customers' names on withdrawal forms without the customers' permission or authorization for the withdrawal or surrender.<sup>2</sup>

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<sup>2</sup> A surrender is when an investor withdraws funds from an annuity during an initial pre-set number of years, incurring a fee.

By forging customer signatures, Reynolds violated FINRA Rule 2010. By causing his member firm to maintain inaccurate books and records, Reynolds violated FINRA Rules 4511 and 2010.

**Reynolds made recommendations that were not in his customers' best interest.**

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15c-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Reg BI's Adopting Release provides that what constitutes "reasonable diligence" depends on, among other things, the complexity of, and risks associated with, the recommended security.<sup>3</sup> The Care Obligation requires broker-dealers and their associated persons to have a reasonable basis to believe that the recommendation could be in the best interest of at least *some* retail investors.

Violations of Reg BI also are violations of FINRA Rule 2010.

Between September 2021 and January 2023, Reynolds recommended a registered index-linked annuity to four firm customers without having a reasonable basis to believe the investments were in the customers' best interests. Specifically, Reynolds recommended his customers surrender their existing annuities, or where the surrender period had ended, make total withdrawals from their existing annuities, directly with the issuers. Reynolds then recommended that the customers use the proceeds of the liquidations to purchase units of a registered index-linked annuity product. Reynolds' customers incurred penalties such as surrender charges, the imposition of new, lengthier surrender periods, and tax consequences.<sup>4</sup> These tax consequences could have been avoided if Reynolds recommended 1035 exchanges,<sup>5</sup> as opposed to recommending full withdrawals or surrenders and then moving the money into the new product. Reynolds also did not conduct a comparative analysis of the advantages and disadvantages of the existing annuities and the new registered index-linked annuity or make a determination that the customers would benefit from the new products. Reynolds thus failed to consider whether

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<sup>3</sup> *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33376 (July 12, 2019).

<sup>4</sup> Pruco, after discovering Reynolds' misconduct, either reversed or stopped the customers' transactions or, when that was not possible, paid the customers restitution.

<sup>5</sup> A 1035 exchange is a provision in the Internal Revenue Service (IRS) code allowing for a tax-free transfer of an existing annuity contract, life insurance policy, long-term care product, or endowment for another of like kind.

the purchases were in the customers' best interest in light of the disadvantages of giving up the prior annuity contracts.

Overall, Reynolds' recommendations caused the customers to incur over \$32,000 in surrender fees, in addition to adverse tax consequences. By recommending these transactions without having a reasonable basis to conclude that they were in the customers' best interest, Reynolds willfully violated Exchange Act Rule 15l-1 and violated FINRA Rule 2010.

**Reynolds used his personal email and text messages to communicate with customers.**

Section 17(a) of the Exchange Act and Rule 17a-4 thereunder require member firms to preserve, for a period of not less than three years, "[o]riginals of all communications received and copies of all communications sent by the member ... (including inter-office memoranda and communications) relating to its business as such." Accordingly, member firms are required to maintain records of business-related electronic communications, including emails and text messages with customers, and such records are required to be accurate. An individual violates FINRA Rules 4511 and 2010 when he causes a firm to fail to make or preserve accurate books and records.

From September 2021 to January 2023, Reynolds used his personal email account to communicate with firm customers about securities transactions and used text messaging on his personal cell phone to communicate with at least one of his customers about securities-related matters, including about the customer's annuity holdings. Reynolds did not forward his emails or text messages to Pruco for review or retention. Pruco's electronic communications policy required that all outgoing emails to customers were to be sent via Pruco's approved email system, and that these emails were to be subject to supervisory review by a registered principal or company-approved email filtering system. Similarly, all text messages were to be sent through Pruco's approved texting application.

As a result, Reynolds caused Pruco to fail to maintain those communications, as it was required to do under the Exchange Act and FINRA rules. Therefore, Reynolds separately violated FINRA Rules 4511 and 2010.

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

- a bar from associating with any FINRA member in all capacities.

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.

Respondent understands that this settlement includes a finding that he willfully violated Rule 15l-1 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of

FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

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

## **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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

7/30/24  
Date

  
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Christopher Reynolds  
Respondent

Accepted by FINRA:

August 16, 2024

Date

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

*Alyssa Braver*

Alyssa Braver  
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FINRA  
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