

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022076162101**

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

RE: Laura Casey (Respondent)
Former General Securities Representative
CRD No. 2684465

Pursuant to FINRA Rule 9216, Respondent Laura Casey 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

Casey first registered with FINRA in 1996. Casey was registered with FINRA as a General Securities Representative through an association with Morgan Stanley (CRD No. 149777) from July 2018 until September 1, 2022, when the firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Casey had resigned while under internal review.

From August 2022 until September 19, 2023, Casey was registered with FINRA as a General Securities Representative through an association with another FINRA member firm.

Casey is not currently registered or associated with any FINRA member firm. However, she remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

OVERVIEW

Casey bought and sold products that included sales charges in the brokerage accounts of four retail customers, who also held advisory accounts at her firm, without considering the comparative costs of the transactions. She therefore willfully violated the Care

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

Obligation of Rule 15l-1 of the Securities Exchange Act of 1934 (Regulation Best Interest or Reg BI) and violated FINRA Rule 2010.

Casey also engaged in discretionary trading without written authorization in violation of FINRA Rules 3260 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the Form U5 filed by Morgan Stanley.

A. Casey willfully violated Reg BI's Care Obligation

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI. Rule 15l-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 15l-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Reg BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Violations of Reg BI also constitute violations of FINRA Rule 2010, which requires associated persons "to observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Between March and July 2022, several of Casey's customers who held advisory accounts at Morgan Stanley also opened brokerage accounts. Casey exercised discretionary authority in four retail customers' brokerage accounts to purchase and sell securities on a short-term basis, without considering the comparative costs of such transactions. Specifically, over a ten-day period in July 2022, Casey purchased products, including exchange-traded funds (ETFs), which required the customers to pay upfront sales charges that the customers would not have had to pay had the products been purchased in their advisory accounts. Casey then sold the securities within days of purchase, resulting in additional sales charges. In certain instances, Casey used the proceeds to make additional purchases, which resulted in additional sales charges. Casey did not have a reasonable basis to believe that placing these trades in the customers' brokerage accounts was in the

customers' best interests in light of their intended short holding periods and the associated costs.

Collectively, Casey's trades subjected the four customers to \$37,757.54 in unnecessary sales charges. However, Morgan Stanley identified Casey's misconduct and reversed the transactions. As a result, the customers did not pay any unnecessary sales charges and Casey did not earn any commissions as a result of the trades at issue.

As a result of her misconduct, Casey willfully violated Exchange Act Rule 15c-1(a)(1) and violated FINRA Rule 2010.

B. Casey Engaged in Discretionary Trading Without Written Authorization

FINRA Rule 3260(b) provides that "[n]o member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization ... and the account has been accepted [as a discretionary account] by the member, as evidenced in writing[.]" A violation of FINRA Rule 3260(b) is also a violation of FINRA Rule 2010.

During the relevant period, Casey effected at least 46 trades in at least seven customers' brokerage accounts without first speaking to the customers on the date of the transactions. Casey also did not obtain prior written authorization from the customers to effect the transactions. In addition, Morgan Stanley did not accept any of the accounts as discretionary.

Therefore, Casey violated FINRA Rules 3260(b) and 2010.

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

- a seven-month suspension from associating with any FINRA member in all capacities and
- a \$7,500 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

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

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 her;
- 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.
- 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 she 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 she 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 her 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 her to submit this AWC.

July 16, 2024

Date

Laura Casey

Laura Casey
Respondent

Accepted by FINRA:

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

July 17, 2024

Date

Karen C. Daly

Karen C. Daly
Principal Counsel
FINRA
Department of Enforcement
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