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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
LICENSING, COMPLIANCE AND	:	
EXAMINATIONS	:	DOCKET No. 16 <u>0041</u> (SEC-CAO)
v.	:	
JANNEY MONTGOMERY SCOTT, LLC	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Securities Licensing, Compliance and Examinations ("Bureau") has conducted an investigation of the business practices of Janney Montgomery Scott, LLC and its officers and employees ("Janney"). Based on the results of its investigation, which included the full cooperation of Janney, the Bureau has concluded that Janney has operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act"). Janney, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.
3. Janney, CRD # 463, was, at all times material herein, a Delaware limited liability company with an address at 1717 Arch Street, Philadelphia, Pennsylvania 19103.

4. At all times material herein, Janney was in the business of effecting transactions in securities in Pennsylvania as a "broker-dealer" within the meaning of Section 102(e) of the 1972 Act 70 P.S. § 1-102(e) and was registered pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301.

5. From in or about February 1996 to July 2010, Patricia Miller ("Miller"), CRD # 2302464, was registered as an "agent" pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301 with Janney.

6. From in or about February 1996 through February 2006, Miller conducted her securities activities and securities related activities business on behalf of Janney at an office that Janney maintained at 3555 Washington Road, McMurray, Pennsylvania 15317 ("McMurray Office").

7. From in or about March 2006 through July 2010, Miller conducted her securities activities and securities related activities business on behalf of Janney at a branch office located at 375 Southpointe Boulevard, Suite 300, Canonsburg, PA 15317 ("Canonsburg BO").

8. On or about July 27, 2010, Janney executed a Form U5 Uniform Termination Notice for Securities Industry Registration terminating Miller and stated that Miller was "permitted to resign" from Respondent Janney for "lack of production."

9. From on or about July 16, 2010, to May 21, 2014, Patricia S. Miller ("Miller"), CRD # 2302464, was registered as an "agent" pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301 with ICC.

10. On or about May 21, 2014, Miller was terminated for cause by ICC after ICC had received a complaint from an individual who had invested in fraudulent partnerships that Miller had set up which were represented by Miller as being investments with ICC.

11. On or about May 21, 2014, ICC also learned that Miller's activities involved numerous other investors and reported her activities to the United States Attorney's Office.

12. On or about June 27, 2014, Janney contacted Miller's customers upon discovery of her conduct and thereafter settled numerous claims in the approximate amount of 1.5 million dollars.

13. In or about July 2014, the Department commenced an examination ("Exam") into Miller's securities activities and securities related activities.

14. On or about March 27, 2015, Miller was sentenced to 6 years in prison and three years of supervised release by the United States District Court for the District of Massachusetts after pleading guilty to five counts of mail fraud in relation to the fraudulent scheme she had engaged in which involved over 4.1 million in investor funds and over 80 different investors.

15. As a result of the Department's Exam and subsequent investigation, evidence was obtained indicating that Janney had failed to reasonably supervise the securities activities of Miller by failing to maintain and enforce its written supervisory procedures concerning the control, access and use of fax machines as it pertained to Miller and also failed to detect red flags in Miller's employee-related accounts.

VIOLATION

16. By engaging in the acts and conduct set forth in paragraphs 4 through 8 and 15 above, Janney failed to reasonably supervise its agent whose acts and conduct form a basis to sanction Janney pursuant to Section 305(a)(vii) of the 1972 Act, 70 P.S. § 1-305(a)(vii).

AUTHORITY

17. Because Janney has failed to reasonably supervise its agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to deny, suspend, revoke or condition the registration of Janney or censure Janney.

18. Because Janney has failed to reasonably supervise its agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to order Janney to pay the costs of the investigation and also order Janney to pay an administrative assessment of up to \$100,000 for each act or omission that constitutes a violation, *see* 70 P.S. § 1-602.1(b) and 70 P.S. § 1-602.1(c)(1)(i).

RELIEF

19. Contemporaneously with the submission of an executed Order, Janney Montgomery Scott, LLC shall pay the Department's investigative and legal costs in the amount of \$10,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

20. Contemporaneously with the submission of an executed Order, Janney Montgomery Scott, LLC shall pay the Department an administrative assessment in the amount of \$125,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau

of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

21. Janney Montgomery Scott, LLC is ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 305(a)(vii), 70 P.S. § 1-305(a)(vii).

22. Should Janney Montgomery Scott, LLC fail to pay investigative and legal costs and the assessment as set forth in paragraphs 19 and 20 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording Janney Montgomery Scott, LLC the option of either paying the costs and the assessment or being indefinitely subjected to the sanctions.

23. Should Janney Montgomery Scott, LLC fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to Janney Montgomery Scott, LLC's right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

24. Consent. Janney hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that it understands all of the terms and conditions contained herein. Janney, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

25. Entire Agreement. This Order contains the entire agreement between the Department and Janney. There are no other terms, obligations, covenants, representations,

statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and Janney.

26. Binding Nature. The Department, Janney, and all officers, owners, directors, employees, heirs and assigns of Janney intend to be and are legally bound by the terms of this Order.

27. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

28. Effectiveness. Janney hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

29. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Janney in the future regarding all matters not resolved by this Order.

(b) Janney acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

30. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

31. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

32. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

33. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Licensing, Compliance and Examinations and Janney Montgomery Scott, LLC, intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE AND EXAMINATIONS**

Redacted

Chief, Western Region
Department of Banking and Securities

Date: 7/15/16

FOR JANNEY MONTGOMERY SCOTT, LLC

Redacted

(Officer Signature)

ACORN SMITH
(Print Officer Name)

Vice President
(Title)

Date: 7/14/16

