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COMMISSIONERS OFFICE

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DIVISION OF SECURITIES
ADMINISTRATIVE ACTION NO. 2019—AH—00041**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

JUSTIN DAVID ROSS

RESPONDENT

FACTUAL BACKGROUND

1. The Kentucky Department of Financial Institutions (DFI, or the "Department") is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (the "Act"), as well as the rules and regulations enacted thereunder.

2. Justin David Ross ("Ross" or "Respondent") is a Kentucky resident and was registered with the Department as an investment adviser representative and broker-dealer agent with J.P. Morgan Securities, LLC ("J.P. Morgan"), until his registrations were terminated on July 26, 2016.

Kentucky Investor BS

3. In April 2016, DFI received a complaint from a Kentucky investor ("BS") regarding Respondent's actions in connection with the rollover of BS's individual retirement account (IRA). BS asserted that Respondent had converted the IRA into a managed mutual fund account without BS's consent, and that significant unexpected tax consequences resulted from BS's efforts to reverse this transaction.

4. Upon receipt of this complaint, DFI began an investigation into Respondent's investment-related activities, through which DFI confirmed the allegations herein and discovered additional facts pertinent to this action.

5. In particular, in January 2016, while discussing the consequences of an IRA rollover with BS, Respondent failed to disclose and/or misrepresented material information, regarding the rollover of BS's IRA from AXA Life Insurance Company to J.P. Morgan. As a result BS's variable annuity IRA was converted into a managed mutual fund account at J.P. Morgan, against the client's wishes.

Kentucky Investor SF

6. The Department's investigation also uncovered evidence of an additional violation, which occurred during Ross's work on a mutual fund switch transaction for another J.P. Morgan client, "SF".

7. In June of 2016, Respondent forged SF's initials on an Investment Switch Form. Respondent admitted to this activity in internal email correspondence with his supervisors at J.P. Morgan, causing the company to terminate Respondent's employment and file a Form U-5 with DFI terminating his registrations.

STATUTORY AUTHORITY

8. 808 KAR 10:440 states in part that:

"Section 1. Broker-dealers shall observe high standards of commercial honor and just and equitable principles of trade in their dealings with customers and the conduct of their business. Acts and practices such as the following shall be considered contrary to these standards: Violations may result in a fine, suspension, or revocation in proportion to the seriousness of the offense, pursuant to KRS 292.337(1)

...

(13) Recommending to a customer the purchase, sale, or exchange of any security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based upon a reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer;

...
(16) Making a false, misleading, deceptive, or exaggerated representation or prediction in the solicitation or sale of a security

...
(18) Executing a transaction on behalf of a customer without authorization to do so;

...
Section 2. Broker-dealer agents shall observe high standards of commercial honor and just and equitable principles of trade in their dealings with customers. The following acts and practices are considered contrary to these standards. Violations may result in a fine, suspension, or revocation in proportion to the seriousness of the offense, pursuant to KRS 292.337(1):

...
(6) Engaging in conduct specified in Section 1(11) through (30) of this administrative regulation."

9. According to 808 KAR 10:450 (2), "an investment adviser or an investment adviser representative shall be a fiduciary and shall have a duty to act primarily for the benefit of its clients. An investment adviser or investment adviser representative shall not engage, either directly or indirectly, in unethical or dishonest practices. The following acts and practices shall be considered either a breach of fiduciary duty or a dishonest and unethical practice...

(1) Recommending to a client to whom investment advisory, management, or consulting services are provided the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser;

...

(22) Failing to provide all material information with respect to any dealings with or recommendations to any advisory client in violation of KRS 292.320.”

10. Pursuant to KRS 292.337, “[t]he commissioner may deny, refuse to renew, suspend, or revoke the registration of any broker-dealer, agent, investment adviser, or investment adviser representative... The commissioner may take any of the foregoing actions for any reason set forth in subsection (2) of this section.

(2) For actions taken in subsection (1) of this section, the commissioner shall find that it is in the public interest and further find that the applicant or registrant or, in the case of a broker-dealer, or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

...
(b) Has violated or failed to comply with this chapter or any administrative regulation promulgated or order issued under this chapter or a predecessor law;”

11. KRS 292.470 (3) states, in relevant part:

“Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, the commissioner may in his or her discretion bring any or all of the following remedies:

3. Issue a final order, after notice and an opportunity for a hearing, containing findings of fact and conclusions of law, directing any person or persons found to have engaged in, or about to be engaged in, activity that constitutes a violation of this chapter or any rule or order under this chapter:

(a) To cease and desist from the activity;

(b) To perform any other reasonable mandates directed by the commissioner pursuant to an appropriate remedy fashioned by the commissioner and reasonably calculated to carry out the provisions of this chapter; or

(c) To pay fines assessed under KRS 292.500(14) and costs assessed under KRS 292.500(15).”

CONCLUSIONS OF LAW

12. Ross violated KRS 292.320(1) and 808 KAR 10:440§2(6) by forging a client’s initials on a mutual fund switch form, when he did not have written authorization from that client to do so.

AGREEMENT AND ORDER

13. To resolve this matter without litigation or other adversary proceedings, DFI and Respondent agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

14. In the interest of economically and efficiently resolving the violations described herein, DFI and Respondent hereby agree as follows:

- a. Respondent admits to the violations indicated herein;
- b. Respondent admits to the factual allegations herein regarding Kentucky Investor SF;
- c. Respondent neither admits nor denies the factual allegations herein regarding Kentucky Investor BS;
- d. Respondent shall be banned from any registration with the Department for a period of **three (3) years** following the entry of this Agreed Order;
- e. Respondent agrees to pay a civil fine in the amount of **two hundred and fifty dollars (\$250)** for the violations described herein, which shall be due and payable upon the entry of this Agreed Order;

- f. Respondent agrees to pay an additional civil fine in the amount of **two hundred and fifty dollars (\$250)** for the violations described herein, which shall be due and payable within thirty (30) days following the entry of this Agreed Order;
- g. Respondent agrees to pay an additional civil fine in the amount of **four thousand and five hundred dollars (\$4,500)** which shall be due and payable prior to Respondent's registration with the Department in any capacity;
- h. All payments under this Order shall be in the form of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Securities Division, 2019-AH-00041, 500 Mero Street SW19, Frankfort, Kentucky 40601; and
- i. Respondent shall cease and desist from any further violations of the Act.

15. Respondent waives his right to demand a hearing at which he would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on his own behalf, or to otherwise appeal or set aside this Agreed Order.

16. Respondent consents to and acknowledges the jurisdiction of DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

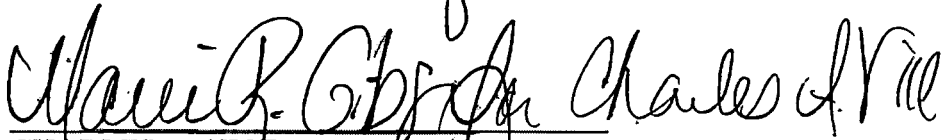
17. In consideration of execution of this Agreed Order, Respondent for himself, and for his successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondent ever had, now have, may have or claim to have against any or all of the persons

or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

18. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

19. This Agreed Order shall constitute the Final Order in this matter.


IT IS SO ORDERED on this the 13th day of February, ²⁰²⁰~~2019~~.


CHARLES A. VICE
COMMISSIONER Deputy Commissioner

Consented to:

On behalf of the Department of Financial Institutions,

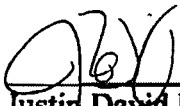
This 13 day of February, 2019.


Chad Harlan, Acting Director
Division of Securities
Department of Financial Institutions

AND

On his own behalf,

This 7 day of February, ²⁰²⁰~~2019~~.



Justin David Ross
Respondent

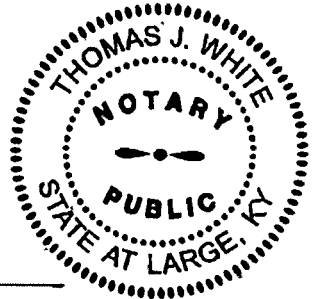
ACKNOWLEDGEMENT

STATE OF Kentucky)
)
COUNTY OF Jessamine)

On this the 7 day of February, ²⁰²⁰~~2019~~, before me Thomas J. White,
Justin David Ross personally appeared and acknowledged himself to be the Respondent named
herein and acknowledged that he entered into and executed the foregoing instrument for the
purposes therein contained.

My Commission Expires: 12/18/2023 #637247


Notary Public



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Agreed Order was sent on this the 18th day
of February, ²⁰²⁰2019, by certified mail, return receipt requested, to:

Justin David Ross
139 May Court
Nicholasville, Kentucky 40356
RESPONDENT

And by Hand-Delivery to:

Stuart Michael
Department of Financial Institutions
500 Mero Street 2SW19
Frankfort, KY 40601
COUNSEL FOR COMPLAINANT

Allison Reed / by Mary Johnson
Kentucky Department of Financial Institutions