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IN THE MATTER OF:
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ERIN LYNN VERESPY
CRD NO. 2727866
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ORDER TO CEASE AND DESIST
NOTICE OF INTENT TO FINE
NOTICE OF INTENT TO
REVOKE REGISTRATIONS AS A
BROKER-DEALER AGENT AND AN
INVESTMENT ADVISER AGENT
AND
NOTICE OF RIGHT TO HEARING
DOCKET NO. NRCDF-20-8507-S

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act.

2. Pursuant to Section 36b-26 of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, conducted an investigation (“Investigation”) into the activities of Erin Lynn Verespy (“Verespy”).

3. As a result of the Investigation by the Division, the Commissioner has reason to believe that Verespy has violated certain provisions of the Act and Regulations.

4. As a result of the Investigation by the Division, the Commissioner has reason to believe that a basis exists under Section 36b-15(a) of the Act for revoking Verespy’s registrations as a broker-dealer agent and an investment adviser agent under the Act.

5. As a result of the Investigation by the Division, the Commissioner has reason to believe that a basis exists to issue a cease and desist order against Verespy as authorized by Section 36b-27(a) of the Act.

6. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to impose a fine upon Verespy as authorized by Section 36b-27(d) of the Act.

II. RESPONDENT

7. Verespy is a Connecticut resident previously registered as an agent and an investment adviser agent under the Act whose address last known to the Commissioner is 15 Rock Spring Road, Trumbull, Connecticut 06611.

III. STATEMENT OF FACTS

8. Verespy was registered as a broker-dealer agent and an investment adviser agent of HD Vest Investment Services (CRD No. 13686) and HD Vest Advisory Services, Inc. (CRD No. 104556) (collectively “HD Vest”) from August 1998 to March 2019. On September 13, 2019, H.D. Vest Investment Securities, Inc. d/b/a HD Vest Investment Services changed its name to Avantax Investment Securities, Inc. and H.D. Vest Advisory Services, Inc. changed its name to Avantax Advisory Services, Inc. On March 27, 2019 HD Vest filed through the Central Registration Depository a Form U-5 (Uniform Termination Notice for Securities Industry Registration) to withdraw Verespy’s registrations as a broker-dealer agent and as an investment adviser agent in all jurisdictions. The withdrawal of Verespy’s registrations became effective by operation of law under the Act on June 27, 2019.

Section 36b-15(e)(1) of the Act provides that:

Withdrawal from registration as . . . [an] agent . . . or investment adviser agent . . . becomes effective ninety days after receipt of an application to withdraw such registration . . . or within such shorter period of time as the commissioner may determine, unless a . . . revocation or suspension proceeding is pending when the application . . . is filed or a proceeding to . . . revoke, suspend or impose conditions upon the withdrawal is instituted within ninety days after the application . . . is filed. . . . *If no proceeding is pending or instituted and withdrawal automatically becomes effective, the commissioner may nevertheless institute a . . . revocation or suspension proceeding under subsection (a) of this section within one year after withdrawal became effective.*” [Emphasis supplied]

9. On April 15, 2019, the Financial Industry Regulatory Authority (“FINRA”), pursuant to FINRA Rule 9216, entered into a Letter of Acceptance, Waiver and Consent with Verespy barring her from associating with any FINRA member in any capacity for refusing to cooperate with FINRA’s request for on-the-record testimony.

Failure to Comply with Firm Procedures and Failure to Amend Regulatory Filings

10. At all times pertinent hereto, HD Vest’s written supervisory procedures (“WSPs”) required disclosure and approval of outside business activity in accordance with FINRA Rule 3270.

11. Throughout the course of Verespy’s employment at HD Vest, Verespy failed to disclose certain outside business activities as required by HD Vest’s WSPs.

12. Furthermore, HD Vest’s WSPs require employees to immediately disclose all written customer complaints to the Compliance Department as well as any litigation or arbitration in which a registered representative is named as a party.

13. Verespy failed to notify HD Vest and make corrective amendments on her Form U4 filing with the Commissioner regarding pending litigation in which she was named a defendant in a lawsuit brought by a client of HD Vest (“Connecticut Client”).

Improper Borrowing of Money from a Client

14. From approximately 2007 through 2017, Verespy borrowed roughly \$800,000 from the Connecticut Client, without knowledge of the Connecticut Client or HD Vest, which money was the subject of the lawsuit filed against Verespy in 2018.

15. Ultimately, Verespy and the Connecticut Client settled the lawsuit via a stipulation entered in November 2018 where Verespy agreed to pay back the Connecticut Client \$800,000.

16. At no point did Verespy seek pre-approval from the client or HD Vest to borrow monies from the Connecticut Client.

**IV. STATUTORY BASIS FOR REVOCATION OF REGISTRATIONS AS A
BROKER-DEALER AGENT AND AN INVESTMENT ADVISER AGENT,
ORDER TO CEASE AND DESIST AND ORDER IMPOSING FINE**

a. Dishonest or Unethical Business Practices Within the Meaning of
Section 36b-31-15b(c) of the Regulations by Verespy –
Outside Business Activity Absent Prior Written Notice to HD Vest

17. Paragraphs 1 through 16, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

18. FINRA Rule 3270 states in pertinent part, “[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, *or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm*, unless he or she has provided prior written notice to the member.” [Emphasis supplied]

19. Verespy engaged in dishonest or unethical practices in the securities business by engaging in outside business activity absent written notice to HD Vest, as more fully described in paragraphs 10 and 11. Such conduct would be proscribed as a dishonest or unethical practice under Section 36b-31-15b(c) of the Regulations and, as such, would support the entry of an order to cease and desist against Verespy under Section 36b-27(a) of the Act and constitute grounds for the revocation of Verespy’s registrations as a broker-dealer agent and an investment adviser agent in Connecticut pursuant to Section 36b-15(a)(2)(H) of the Act.

b. Violation of Section 36b-31-14e of the Regulations
Duty to Amend Information Previously Filed

20. Paragraphs 1 through 19, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

21. During her association with HD Vest, Verespy’s failure to amend her Form U4, as more fully described in paragraphs 12 and 13, constituted a violation of Section 36b-31-14e of the Regulations. Such conduct therefore supports the entry of a cease and desist order against Verespy under 36b-27(a) of

the Act, the imposition of a fine upon Verespy pursuant to Section 36b-27(d) of the Act, and, as wilful misconduct, also supports proceedings to revoke Verespy's registrations as a broker-dealer agent and an investment adviser agent pursuant to Section 36b-15(a)(2)(B) of the Act.

c. Dishonest or Unethical Business Practices Within the Meaning of Section 36b-31-15b(a)(1) of the Regulations by Verespy – Borrowing Money from Accounts Carried for Brokerage Customers

22. Paragraphs 1 through 21, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

23. As more fully described in paragraphs 14 through 16, inclusive, Verespy engaged in dishonest or unethical business practices in the securities business by borrowing money from an account carried for an HD Vest customer without the customer's prior consent and without notice to HD Vest. Such conduct constitutes a dishonest or unethical practice in the securities business within the meaning of Section 36b-31-15b(c) of the Regulations, which forms a basis for an order to cease and desist to be issued against Verespy under Section 36b-27(a) of the Act, as well as a basis for the revocation of Verespy's registrations as a broker-dealer agent and an investment adviser agent in Connecticut pursuant to Section 36b-15(a)(2)(H) of the Act.

d. FINRA Sanctions

24. Paragraphs 1 through 23, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

25. The FINRA sanctions barring Verespy, as more fully described in paragraph 9, form the basis for the revocation of Verespy's broker-dealer agent and investment adviser agent registrations in Connecticut pursuant to Section 36b-15(a)(2)(F)(iii) of the Act.

V. NOTICE OF INTENT TO REVOKE REGISTRATIONS AS A BROKER-DEALER AGENT AND AN INVESTMENT ADVISER AGENT, ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO FINE AND NOTICE OF RIGHT TO HEARING

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Verespy has committed at least one violation of Section 36b-31-14e of the

Regulations; and engaged in dishonest or unethical practices in the securities business within the meaning of Section 36b-15(a)(2)(H) of the Act and Sections 36b-31-15b(a)(1) and 36b-31-15b(c) of the Regulations;

WHEREAS, the Commissioner has reason to believe that a basis exists under Sections 36b-15(a)(2)(B), 36b-15(a)(2)(H) and 36b-15(a)(2)(F)(iii) of the Act for revoking Verespy's registrations as a broker-dealer agent and an investment adviser agent under the Act;

WHEREAS, Section 36b-15(f) of the Act provides, in pertinent part, that "[n]o order may be entered under this section except as provided in subsection (c) of this section without (1) appropriate prior notice to the applicant . . . and to the employer or prospective employer if such applicant . . . is an agent or investment adviser agent, (2) opportunity for hearing, and (3) written findings of fact and conclusions of law";

WHEREAS, the Commissioner has reason to believe that a basis exists under Sections 36b-27(a) and 36b-27(d) of the Act for entering an Order to Cease and Desist and an Order Imposing Fine against Verespy;

WHEREAS, the Commissioner further finds that the issuance of an Order revoking Verespy's registration as a broker-dealer agent and an investment adviser agent under the Act, an Order to Cease and Desist against Verespy, and the imposition of a fine upon Verespy is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policies and provisions of the Act;

WHEREAS, notice is hereby given to Verespy that the Commissioner intends to impose a fine not to exceed the maximum fine of one hundred thousand dollars (\$100,000) per violation upon Verespy;

WHEREAS, the Commissioner **ORDERS** that **ERIN LYNN VERESPY CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation those provisions requiring registration as a broker-dealer, broker-dealer agent, investment adviser or investment adviser agent; and (1) engaging in dishonest or unethical practices in the securities business; and (2) failing to promptly file correcting amendments to her Form U-4 filings;

THE COMMISSIONER FURTHER ORDERS THAT, pursuant to Sections 36b-15(f) and 36b-27 of the Act, Verespy will be afforded an opportunity for a hearing on the allegations set forth above if a written request for a hearing is received by the Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 within fourteen (14) days following Verespy's receipt of this Order. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to the above address. If Verespy will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". If a hearing is requested, the hearing will be held on August 22, 2020, at 10 a.m., at the Department of Banking, 260 Constitution Plaza, Hartford, Connecticut.

The hearing will be held in accordance with the provisions of Chapter 54 of the General Statutes of Connecticut. At such hearing, Verespy will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If Verespy fails to request a hearing within the prescribed time period or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Order to Cease and Desist shall remain in effect and become permanent against Verespy, the Commissioner shall issue an order revoking Verespy's registrations as a broker-dealer agent and an investment adviser agent, and the Commissioner may order that the maximum fine be imposed upon Verespy.

Dated at Hartford, Connecticut,
this 25th day of June 2020.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 26th day of June 2020, I caused to be mailed by certified mail, return receipt requested, the foregoing Notice of Intent to Revoke Registrations as a Broker-dealer Agent and an Investment Adviser Agent, Order to Cease and Desist, Notice of Intent to Fine and Notice of Right to Hearing to: Erin Lynn Verespy, 15 Rock Spring Road, Trumbull, Connecticut 06611, certified mail no. 70191640000015849317 and Erin Lynn Verespy, c/o Lawrence Costantini, Esq., 64 Cherry Street, Milford Connecticut 06460, certified mail no. 70191640000015849324.

_____/s/_____
Julie Carta