

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

TENNESSEE SECURITIES
DIVISION,

Petitioner,

vs.

TERESA J. FERDON,
Respondent.

Docket No. 12.01-135454J
TSD No. 15-007

INITIAL ORDER

This matter came to be heard on July 22, 2016, before Joyce Carter Ball, an Administrative Judge assigned to the Secretary of State, Administrative Procedures Division, and sitting for the Commissioner of Commerce and Insurance. Jesse D. Joseph, Assistant General Counsel for the Department represented the Petitioner, Tennessee Securities Division (“TSD”). The Respondent, Teresa J. Ferdon, was present at the hearing, and chose to proceed without counsel.

This matter is before the Court upon the Petitioner’s Notice of Hearing and Charges filed against Respondent on January 14, 2016; upon the parties’ Stipulation filed on July 21, 2016; upon the Respondent’s testimony at the July 22, 2016 hearing; and upon the entire record in this cause.

From all of which the Court approves the Stipulation of the parties and incorporates same within its Judgment herein, and enters the following Findings of Fact, conclusions of law, and Judgment in this matter:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over this matter pursuant to the Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-1-101 to 48-1-

201 (2012) (“Act”). Responsibility for administration of the Act is placed with the Commissioner.

2. The TSD is the lawful agent through which the Commissioner administers the Act and is authorized to bring this action based on the finding that such action is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. TENN. CODE ANN. § 48-1-116.

3. Respondent is a citizen of the State of Tennessee, with an address of record on file with the Division of 528 Elinor Street, Chattanooga, TN 37405. Respondent held a securities registration with the TSD and with FINRA as a broker-dealer agent (CRD# 2970960), from April 2008 through July 27, 2014, but which could be reactivated in Tennessee by her payment of the civil penalty imposed by FINRA in 2015, obtaining relief from statutory disqualification, and by associating with another broker-dealer.

4. FINRA is a national securities association registered under the Securities Exchange Act of 1934, compiled in 15 U.S.C. Section 78a et seq., as amended.

5. Respondent was employed as a Client Specialist/Sales Assistant with FTB Advisors (the “Firm”) from April 2008 to June 2014.

6. On June 17, 2014, Respondent received email communications from an impostor posing as JB, a firm customer, requesting Respondent to transfer \$15,000 from the firm’s brokerage account of JB and EB (the “JB Brokerage Account”), to MW at Keybank, N.A. (“Keybank”), in Oregon. Respondent prepared a LOI in accordance with these instructions and sent it to the impostor for signature. Upon receiving the signed LOI from the impostor, Respondent stamped it with the signature guaranteed stamp and

forged her supervisor's initials in the space provided on the stamp. Respondent submitted this first wire instruction to Keybank on June 18, 2014, and received a notice of rejection by Keybank late that afternoon.

7. After the impostor corrected an erroneous Keybank account number on the first LOI, Respondent prepared a second LOI for the same \$15,000 disbursement reflecting the correct Keybank account number, on June 19, 2014. Upon receiving the second signed LOI from the impostor, Respondent again stamped it with the signature guaranteed stamp, forged her supervisor's initials in the space provided on the stamp, and submitted this second wire instruction to Keybank on June 19, 2014. This second wire for \$15,000 dated June 19, 2015, was received and credited by Keybank.

8. On June 23 and 24, 2014, Respondent received further email instructions from this impostor posing as customer JB. In each instance, the impostor requested additional third party wire transfers from the JB Brokerage Account as follows:

Date of Request	Amount of Request	Third Party Recipient
June 23, 2014	\$38,970.80	MW- Keybank N.A. - Oregon
June 24, 2014	\$49,880.30	BB – Chase Bank - California

9. In each of these two instances on June 23 and 24, 2014, Respondent received a signed LOI from the impostor reflecting the terms of the emails, placed a signature guaranteed stamp on the respective LOIs and forged her supervisor's signature on the medallion guarantee.

10. In each of the four (4) instances above in which Respondent submitted wire transfer requests, Respondent also entered information in the firm's Integrated Cashiering Platform ("ICP") system that she had verified the wire transfer requests via telephone with JB and/or EB.

11. On the afternoon of June 24, 2014, JB phoned in an inquiry to the firm regarding the above four (4) wire transfers from his brokerage account totaling \$103,851.10, and informed the firm that he did not initiate these transfers.

12. On or about June 26, 2014, Respondent admitted to the firm's corporate security investigators that she did not contact these firm clients by phone or verify the wire transfer requests, and that she knowingly entered false information in the ICP system by indicating she had done so.

13 Respondent did not have any permission from her supervisor to sign his initials to the signature guarantees or to process the wire transfers involved in this matter.

14. Respondent's actions detailed above violated the firm's written supervisory procedures ("WSPs"), which required employees to obtain a signature guarantee from an authorized supervisor as part of completing all necessary steps in processing third party wire requests. By forging the signature guarantee of her supervisor as to these requests, Respondent prevented the firm from engaging in further due diligence regarding these requests before finalizing them.

15. The firm attempted to reclaim the wires after learning that the wire transfers were fraudulent, and was able to reverse the \$49,880.30 wire transfer. The firm also compensated JB in the amount of \$53,970.80 (the total of the two remaining unauthorized transfers).

16. On or about June 27, 2014, Respondent was terminated by the firm for her actions as set out above.

17. On May 8, 2015, a Letter of Acceptance, Waiver and Consent (“AWC”) was entered into between Respondent and FINRA barring her from associating with any member of FINRA in any capacity for a three (3) month period, and imposing a fifteen thousand dollar (\$15,000) fine against her for violations of FINRA Rules 2110, 2011, and 4510 based upon her actions while employed with the firm as described above.

CONCLUSIONS OF LAW

1. Respondent’s actions as set forth above in the foregoing Findings of Fact, warrant the revocation of her TSD registration pursuant to TENN. CODE ANN. §48-1-112(a)(2)(F)(i)(b) & (G) (2012), which provide:

(a) The commissioner may by order deny, suspend, or revoke any registration under this part if the commissioner finds that:

...

(2) The applicant or registrant, or in the case of a broker-dealer or investment adviser, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions:

...

(F)(i)(b) Is the subject of an order suspending or expelling such person from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934, compiled in 15 U.S.C. §78a et seq., as amended, or is the subject of a United States post office fraud order;

(G) Has engaged in dishonest or unethical practices in the securities business[.]

2. Respondent’s conduct as set forth above which authorizes the revocation of her TSD registration pursuant to TENN. CODE ANN. § 48-1-112(a)(2)(F)(i)(b), and (G), could constitute grounds for the imposition of civil penalties, as prescribed at TENN. CODE ANN. § 48-1-112(d), which provides, in pertinent part:

(d) [i]n any case in which the commissioner is authorized to deny, revoke or suspend the registration of a broker-dealer, agent, investment adviser, investment adviser representative ... the commissioner may, in lieu of or in addition to such disciplinary action, impose a civil penalty not to exceed five thousand dollars (\$5,000) for all violations for any single transaction.

3. However, based on the Respondent's testimony at the hearing regarding her present difficult financial circumstances, the Court finds that civil penalties and investigatory and hearing costs are not warranted on this record and should not be assessed against the Respondent herein. The Court further finds that the assessment of such penalties and costs is not required as a matter of law where violations of a statutory scheme are proven in an administrative licensing proceeding.

JUDGMENT

IT IS, THEREFORE, ORDERED, ADJUDGED and DECREED that:

1. Respondent Teresa J. Ferdon's TSD securities registration as a broker-dealer agent (CRD# 2970960) **IS HEREBY REVOKED.**
2. Respondent Teresa J. Ferdon shall fully **COMPLY** with the Act, and all rules promulgated thereunder in the future and shall **CEASE AND DESIST** from any future activities which are in violation of the Act.
3. This **INITIAL ORDER**, imposing sanctions against Respondent Teresa J. Ferdon, is entered to protect the public in the State of Tennessee, consistent with the purposes fairly intended by policy and provisions of the Act.

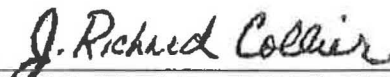
It is so **ORDERED.**

This INITIAL ORDER entered and effective this the 29th day of July, 2016.



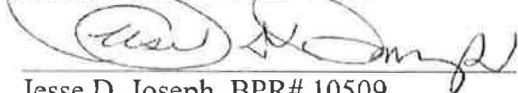
JOYCE CARTER BALL
ADMINISTRATIVE JUDGE
ADMINISTRATIVE PROCEDURES DIVISION
OFFICE OF THE SECRETARY OF STATE

Filed in the Administrative Procedures Division, Office of the Secretary of State, this the 29th of July, 2016.



J. RICHARD COLLIER, DIRECTOR
CHIEF ADMINISTRATIVE LAW JUDGE
ADMINISTRATIVE PROCEDURES DIVISION
OFFICE OF THE SECRETARY OF STATE

APPROVED FOR ENTRY:



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Certificate of Service

I hereby certify that I have forwarded by first class mail a copy of the Petitioner's Proposed Initial Order to Respondent Teresa J. Ferdon, 528 Elinor Street, Chattanooga, TN 37405, and that I have filed the original of this proposed Initial Order with the Office of the Secretary of State, Administrative Procedures Division, 8th Floor, Wm. R. Snodgrass Tennessee Tower, Nashville, Tennessee, on this 28 day of July, 2016.



Jesse D. Joseph

**APPENDIX A TO INITIAL ORDER
NOTICE OF APPEAL PROCEDURES**

Review of Initial Order

This Initial Order shall become a Final Order (reviewable as set forth below) fifteen (15) days after the entry date of this Initial Order, unless either or both of the following actions are taken:

(1) A party files a petition for appeal to the agency, stating the basis of the appeal, or the agency on its own motion gives written notice of its intention to review the Initial Order, within fifteen (15) days after the entry date of the Initial Order. If either of these actions occurs, there is no Final Order until review by the agency and entry of a new Final Order or adoption and entry of the Initial Order, in whole or in part, as the Final Order. A petition for appeal to the agency must be filed within the proper time period with the Administrative Procedures Division of the Office of the Secretary of State, 8th Floor, William R. Snodgrass Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee, 37243-1102. (Telephone No. (615) 741-7008). See Tennessee Code Annotated, Section (T.C.A. §) 4-5-315, on review of initial orders by the agency.

(2) A party files a petition for reconsideration of this Initial Order, stating the specific reasons why the Initial Order was in error within fifteen (15) days after the entry date of the Initial Order. This petition must be filed with the Administrative Procedures Division at the above address. A petition for reconsideration is deemed denied if no action is taken within twenty (20) days of filing. A new fifteen (15) day period for the filing of an appeal to the agency (as set forth in paragraph (1) above) starts to run from the entry date of an order disposing of a petition for reconsideration, or from the twentieth day after filing of the petition, if no order is issued. See T.C.A. §4-5-317 on petitions for reconsideration.

A party may petition the agency for a stay of the Initial Order within seven (7) days after the entry date of the order. See T.C.A. §4-5-316.

Review of Final Order

Within fifteen (15) days after the Initial Order becomes a Final Order, a party may file a petition for reconsideration of the Final Order, in which petitioner shall state the specific reasons why the Initial Order was in error. If no action is taken within twenty (20) days of filing of the petition, it is deemed denied. See T.C.A. §4-5-317 on petitions for reconsideration.

A party may petition the agency for a stay of the Final Order within seven (7) days after the entry date of the order. See T.C.A. §4-5-316.

YOU WILL NOT RECEIVE FURTHER NOTICE OF THE INITIAL ORDER BECOMING A FINAL ORDER

A person who is aggrieved by a final decision in a contested case may seek judicial review of the Final Order by filing a petition for review in a Chancery Court having jurisdiction (generally, Davidson County Chancery Court) within sixty (60) days after the entry date of a Final Order or, if a petition for reconsideration is granted, within sixty (60) days of the entry date of the Final Order disposing of the petition. (However, the filing of a petition for reconsideration does not itself act to extend the sixty day period, if the petition is not granted.) A reviewing court also may order a stay of the Final Order upon appropriate terms. See T.C.A. §4-5-322 and §4-5-317.