



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
)  
DAVID MICHAEL BRENDZA, ) Case No.: AP-23-01  
CRD No. 1703163, )  
)  
*Respondent.* )

**CONSENT ORDER**

1. On December 14, 2022, the Financial Industry Regulatory Authority (“**FINRA**”) issued an Acceptance, Waiver, and Consent (“**AWC**”) against Missouri-registered broker-dealer agent, David Michael Brendza (“**Respondent**”), for causing his member firm to maintain inaccurate books and records by falsifying the representative code for trades in his member firm's order entry system and causing the firm's trade confirmations to show an inaccurate representative code, in violation of FINRA Rules 2010 and 4511.<sup>1</sup> According to the AWC, Respondent consented to a six-month suspension from association with any FINRA member in any capacity and a \$5,000 fine. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“**Enforcement Section**”), through Senior Enforcement Counsel, Melissa D. Buchanan, alleges that these actions constitute sufficient grounds to contemporaneously suspend Respondent’s Missouri registration as a broker-dealer agent in accordance with Sections 409.4-412(b) and 409.4-412(d)(5)(C).<sup>2</sup>
2. Respondent and the Securities Division desire to settle the allegations and the matter raised by the Securities Division relating to the alleged violation of Section 409.4-412(d)(5)(C).

**CONSENT TO JURISDICTION**

3. Respondent and the Securities Division stipulate and agree that the Missouri Commissioner of Securities (“**Commissioner**”) has jurisdiction over Respondent and this matter pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

<sup>1</sup> See FINRA AWC issued in Matter No. 2018058614401.

<sup>2</sup> Unless otherwise indicated, statutory citations refer to the 2016 edition of the Revised Statutes of Missouri, updated by the 2021 Cumulative Supplement.

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

#### WAIVER AND EXCEPTION

5. Respondent waives any rights to a hearing with respect to this matter.
6. Respondent waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of the Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Securities Division that, should the facts contained herein prove to be false or incomplete, the Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

#### CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Securities Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that he is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Securities Division or the Findings of the Commissioner, but consents to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

#### THE COMMISSIONER’S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

##### I. FINDINGS OF FACT

12. Respondent is a resident of Chesterton, Indiana, and has been a Missouri-registered broker-

dealer agent for the periods July 1994 through December 1994 and February 2003 through the present. During the timeframe from March 2015 through February 2018 (“**Relevant Period**”) in which Respondent engaged in the alleged activities that violated FINRA Rules 2010 and 4511, Respondent was associated with Morgan Stanley & Company (“**Morgan Stanley**”) and worked from an office located in Chicago, Illinois. On or about April 23, 2018, Respondent voluntarily resigned from Morgan Stanley as a result of the aforementioned alleged activities. Respondent is currently employed by Raymond James & Associates, Inc. at an office in Chicago, Illinois.

#### A. Allegations of Violative Conduct

13. In approximately October 2012, Respondent entered into an agreement through which he agreed to service certain customer accounts, including executing trades for those accounts, under a joint representative code (also known as a joint production number) that he shared with a representative who was planning on retiring in several years (“**Representative #1**”) and an active representative who was part of Respondent's team and who is an immediate family member of Respondent (“**Representative #2**”). The agreement set forth what percentages of the commissions each representative would earn on trades placed using the applicable joint representative code. In February 2014, the parties amended the agreement in writing to provide Respondent and Representative #2 with higher percentages of commissions earned for trades placed using the joint representative code than what was set forth in the original agreement.
14. During the Relevant Period, Respondent placed 762 trades in accounts that were covered by the amended agreement using a representative code other than the one he should have used pursuant to the amended agreement.<sup>3</sup> Specifically, although the firm's system correctly prepopulated the trades with the applicable joint representative code, Respondent changed the code for the trades to a different joint representative code that he shared only with Representative #2. As a result of Respondent's actions, Respondent and Representative #2 received higher commissions from the 762 trades than what they were entitled to receive pursuant to the amended agreement with Representative #1.
15. Respondent did not ask Representative #1 whether he could change the code on the 762 trades at issue and did not otherwise indicate to him that he was doing so. Respondent mistakenly believed that Representative #1 had agreed that he could change the representative code so that Respondent and Representative #2 would receive even higher percentages of commissions than what was set forth in the amended agreement. In fact, Representative #1 had not agreed that Respondent could change the representative code. The firm's trade confirmations for the 762 trades inaccurately reflected the representative code that Respondent shared with Representative #2 alone.
16. In September 2018, Morgan Stanley paid restitution to Representative #1. Respondent, together with Representative #2, reimbursed the firm a total of approximately \$275,000,

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<sup>3</sup> Representative #2 separately placed 380 trades in accounts that were covered by the amended agreement using a representative code other than the one he should have used pursuant to the amended agreement. Representative #2 entered into an AWC with FINRA in April 2022.

which is the approximate amount of additional commissions that they received from the 1,142 trades as a result of Respondent and Representative #2 falsifying the representative code on the trades.

17. By falsifying the representative code on the 762 trades, Respondent violated FINRA Rule 2010. In addition, Respondent violated FINRA Rules 4511 and 2010 by causing Morgan Stanley to maintain inaccurate trade confirmations.
18. On December 14, 2022, FINRA approved an AWC in Matter No. 2018058614401. According to the AWC, Respondent consented to a six-month suspension from association with any FINRA member in any capacity and a \$5,000 fine for the conduct set forth above.
19. On January 3, 2023, FINRA provided notice to the Securities Division of the AWC in Matter No. 2018058614401 involving Respondent.
20. The Enforcement Section alleges that the regulatory action taken by FINRA against Respondent in Matter No. 2018058614401 constitutes sufficient grounds to suspend Respondent's Missouri registration as a broker-dealer agent in accordance with Sections 409.4-412(b) and 409.4-412(d)(5)(C).

## II. CONCLUSIONS OF LAW

21. **THE COMMISSIONER CONCLUDES** that an order is in the public interest to suspend the registration of Respondent as a broker-dealer agent pursuant to Sections 409.4-412(b) and 409.4-412(d)(5)(C).
22. **THE COMMISSIONER CONCLUDES** that the violations above are sufficient to issue an order in accordance with Section 409.6-604.
23. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondent and the Securities Division, finds and concludes that the Commissioner has jurisdiction over Respondent in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

## III. ORDER

**NOW, THEREFORE**, it is hereby Ordered that:

24. Respondent is **SUSPENDED** from operating as a broker-dealer agent in the State of Missouri for a period of six months, from January 3, 2023 through July 2, 2023, during which Respondent is prohibited from receiving remuneration or compensation, either directly or indirectly, of any kind or in any form from any broker-dealer or any officer, director, employee or agent of same;
25. Respondent shall pay \$1,500 to the Missouri Secretary of State's Investor Education and

Protection Fund upon execution of this Consent Order by Respondent. This amount shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund and sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101;

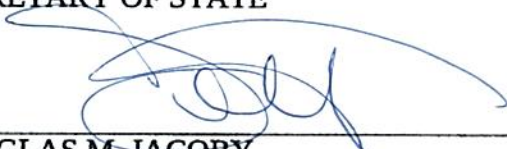
26. Respondent, his agents and employees, and all other persons participating in the above-described alleged violations with knowledge of this Order, are permanently enjoined and restrained from engaging in violation of Section 409.4-412(d)(5)(C), by engaging in conduct and/or activities subject to discipline under Section 409.4-412; and
27. Respondent shall pay his own costs and attorneys' fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 30<sup>th</sup> DAY OF JANUARY, 2023.



JOHN R. ASHCROFT  
SECRETARY OF STATE

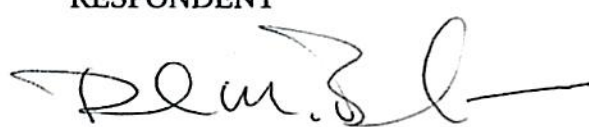
  
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DOUGLAS M. JACOBY  
COMMISSIONER OF SECURITIES

Consented to by:

THE MISSOURI SECURITIES DIVISION

  
\_\_\_\_\_  
Melissa D. Buchanan  
Senior Enforcement Counsel

RESPONDENT

  
\_\_\_\_\_  
David Michael Brendza, CRD No. 1703163