



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

RICHARD MATTHEW BRENDZA,
CRD No. 1703194,

Respondent.

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Case No.: AP-23-02

CONSENT ORDER

1. On May 3, 2022, the Financial Industry Regulatory Authority (“**FINRA**”) issued an Acceptance, Waiver, and Consent (“**AWC**”) against Missouri-registered broker-dealer agent, Richard Matthew 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 4511.¹ 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 a violation of 409.4-412(d)(5)(C) and sufficient grounds to discipline Respondent in accordance with Sections 409.4-412(c).²
2. Respondent and the Enforcement Section desire to settle the allegations and the matter raised by the Enforcement Section relating to the alleged violation of Section 409.4-412(d)(5)(C).

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section 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 Enforcement Section stipulate and agree that the Commissioner has

¹ See FINRA AWC issued in Matter No. 2018058614301.

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

authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“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 Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section 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 Enforcement Section 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 Chicago, Illinois, and has been a Missouri-registered broker-dealer agent for the periods July 1999 through December 1999, April 2010 through December 2014, and June 2017 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 380 trades in accounts that were covered by the amended agreement, but Respondent used a different representative code than the one specified in the amended agreement.³ Although the firm's system correctly prepopulated the trades with the correct 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 380 trades than 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 380 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 were set forth in the amended agreement. In fact, Representative #1 had not agreed that Respondent could change the representative code. The

³ Representative #2 separately 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. Representative #2 entered into an AWC with FINRA in December 2022.

firm's trade confirmations for the 380 trades inaccurately reflected the representative code that Respondent shared only with Representative #2.

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, which is the approximate amount of additional commissions that they received from the 1,142 trades in which Respondent and Representative #2 falsified the representative code.
17. By falsifying the representative code on the 380 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 May 3, 2022, FINRA approved an AWC in Matter No. 2018058614301. 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 Representative #2. As a result of this notice, the Enforcement Section initiated an investigation of Respondent and Representative #2.
20. Although Representative #2's Missouri registration was suspended contemporaneously with Representative #2's FINRA suspension, Respondent's Missouri registration was not subject to suspension.

II. CONCLUSIONS OF LAW

21. **THE COMMISSIONER CONCLUDES** that Respondent violated Section 409.4-412(d)(5)(C).
22. **THE COMMISSIONER CONCLUDES** that an order is in the public interest to discipline Respondent pursuant to Section 409.4-412(c).
23. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondent and the Enforcement Section, 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 shall pay \$6,000 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;

25. 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
26. 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 11th DAY OF MAY, 2023.



JOHN R. ASHCROFT
SECRETARY OF STATE

A handwritten signature in blue ink, appearing to read "Douglas M. Jacoby", written over a horizontal line.

DOUGLAS M. JACOBY
COMMISSIONER OF SECURITIES

Consented to by:

THE MISSOURI SECURITIES DIVISION

A handwritten signature in blue ink, appearing to read "Melissa D. Buchanan", written over a horizontal line.

Melissa D. Buchanan
Senior Enforcement Counsel

RESPONDENT

A handwritten signature in blue ink, appearing to read "Richard Matthew Brendza", written over a horizontal line.

Richard Matthew Brendza, CRD No. 1703194