

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 201403923140f**

**TO:** Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** World Equity Group, Inc., Respondent  
CRD No. 29087

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against it alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

World Equity Group, Inc. ("WEG" or "Firm") is a full service broker dealer and has been a FINRA member since June 9, 1992. The Firm is based in Arlington Heights, Illinois and has approximately 186 registered representatives and 83 registered branch offices in the United States.

**RELEVANT DISCIPLINARY HISTORY**

In FINRA Matter No. 20120307347, WEG entered into an AWC, which found that between 2009 and 2012 WEG had an inadequate supervisory system reasonably designed to detect and prevent rule violations related to the suitability of transactions in non-traditional ETFs, due diligence in connection with private placements, and maintenance of account records, among others. WEG neither admitted nor denied these findings, and consented to a censure and a \$225,000 fine for violations of NASD Rules 3010, 3310, 2310, 2110, and FINRA Rule 2010.

## **OVERVIEW**

From November 2009 to September 2012 (the "relevant time period"), WEG failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to identify and prevent potentially unsuitable excessive trading of equity securities. As a result of those supervisory deficiencies, WEG violated NASD Conduct Rule 3010 and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

Throughout the relevant time period, WEG failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to review equity security transactions to detect and prevent potentially unsuitable excessive trading.

Specifically, WEG relied on the daily review of trade blotters by the Firm's compliance staff to identify potentially unsuitable excessive trading, as well as reviews of those blotters during periodic internal branch inspections conducted by WEG's compliance department. These blotters, however, did not specifically address traditional indicators of excessive trading in customer accounts, such as turnover and/or cost-to-equity ratios, nor did these blotters aggregate the trading or commissions generated by a customer accounts over any period of time.

In addition, during the relevant period, WEG did not utilize exception reports made available to it by its clearing firms to assist it in detecting patterns of potentially unsuitable excessive trading. Such exception reports identified turnover and commission-to-equity ratios in customer accounts, but the Firm did not begin using those reports until October 2012.

Moreover, WEG's written supervisory procedures during the relevant provided inadequate guidance on how its trade blotters should be reviewed and analyzed by Firm staff, and failed to provide the supervisory measures that would be implemented with a view towards detecting and preventing potentially unsuitable excessive trading activity.

As a result of WEG's supervisory deficiencies, the Firm failed to identify a certain customer's account during the relevant period that exhibited an annualized turnover ratio that should have caused further investigation by WEG's compliance department.

By failing to establish and maintain a supervisory system and establish, maintain and enforce written procedures reasonably designed to identify and prevent potentially unsuitable excessive trading of equity securities, WEG violated NASD Conduct Rule 3010 and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- Censure; and
- \$50,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.


#### OTHER MATTERS

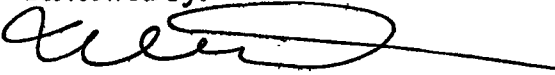
Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

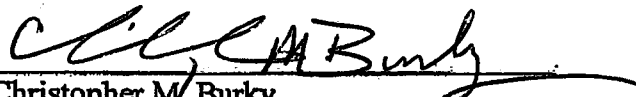
The undersigned, on behalf of WEG, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

4-22-16  
Date (mm/dd/yyyy)

World Equity Group, Inc.  
  
By: Richard S. Babjak, CEO

Reviewed by:  
  
Matthew C. Boba, Esq.  
Counsel for Respondent  
Chapman and Cutler LLP  
111 West Monroe Street  
Chicago, IL 60603  
(312) 845-2951

Accepted by FINRA:  
4/25/16  
Date

Signed on behalf of the  
Director of ODA, by delegated authority  
  
Christopher M. Burky  
Senior Regional Counsel  
FINRA Department of Enforcement  
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