

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051501801**

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

**RE: Gregory R. Bauer, Respondent
Former Registered Representative
CRD No. 2552478**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Respondent Gregory R. Bauer ("Bauer" or "Respondent") first entered the securities industry in 2002. Bauer passed the Series 7 and 66 examinations and was registered with Waddell & Reed, Inc. ("Waddell & Reed" or the "firm") from October 2004 until October 2013. In October 2013, Bauer registered with another FINRA member firm, where he remained until his registration was terminated on September 29, 2016.

Although Bauer is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

Between October 2004 and October 2013 (the "relevant period"), while Bauer was associated with Waddell & Reed, he made unauthorized withdrawals and caused unauthorized liquidations of securities from the accounts of firm

customers WB and CB, Bauer's parents. Bauer then used the funds for his personal expenses without permission. In total, Bauer converted more than \$400,000 from WB and CB.

By engaging in these actions, Bauer willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2150, 2020, and 2010.

FACTS AND VIOLATIVE CONDUCT

During the relevant period, while Bauer was associated with Waddell & Reed, Bauer's parents, WB and CB, were firm customers and Bauer was the registered representative responsible for servicing their accounts. Without notifying WB and CB, and without permission, Bauer forged the signatures of WB and CB on withdrawal request forms he submitted. Several of the forged withdrawal requests caused securities to be sold from his parents' accounts and caused checks to be issued to WB and CB. Bauer, however, intercepted the checks that had been mailed to his parents' home, deposited the checks into his personal bank account, and used the funds for his personal expenses without permission.

Section 10(b) of the Exchange Act makes it unlawful for any person to employ "any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe." Rule 10b-5 promulgated thereunder provides, in pertinent part, that "[i]t shall be unlawful for any person, directly or indirectly, by the use of . . . the mails or of any facility of any national securities exchange, [t]o employ any device, scheme, or artifice to defraud . . . or to engage in any act, practice, or course of business which operates as a fraud or deceit upon any person, in connection with the purchase or sale of any security." FINRA Rule 2020, FINRA's antifraud rule, is similar to Rule 10b-5 and provides that a member may not "effect any transaction in, or induce the purchase or sale of, any security by any manipulative, deceptive or other fraudulent device or contrivance." FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade.

As described above, Bauer engaged in a course of conduct spanning several years in which he forged signatures, caused the unauthorized sale of securities, intercepted checks in the mail, deposited the checks into his own bank account, and used the funds for his personal expenses without permission. Accordingly, Bauer willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010.

Finra Rule 2150 provides that no person associated with a member shall make improper use of a customer's securities or funds. Conversion of customer funds is a violation of FINRA Rules 2150 and 2010. By taking more than \$400,000 from WB and CB without permission and using the funds to pay for personal expenses,

Bauer converted customer funds in violation of FINRA Rules 2150 and 2010.

B. I also consent to the imposition of the following sanctions:

- A bar from associating with any FINRA member in any capacity.

I understand that this settlement includes a finding that I willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudgment 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.

I further specifically and voluntarily waive 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

I understand 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 me; 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 me;**
 - 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. I 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. I 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 my: (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.**

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

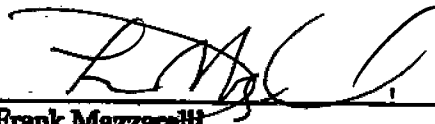
10/11/2016
Date (mm/dd/yyyy)

Gregory R. Bauer
Gregory R. Bauer, Respondent

Accepted by FINRA:

10/13/2016
Date

**Signed on behalf of the
Director of ODA, by delegated authority**



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