

**FINANCIAL INDUSTRY REGULATORY AUTHORITY**

**OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Craig David Dima  
(CRD No. 2314389),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2015046440701

**COMPLAINT**

The Department of Enforcement alleges:

**SUMMARY**

1. From in or about June 2010 through in or about August 2015 (the “Relevant Period”), while registered through FINRA member firm K.C. Ward Financial, Respondent Craig David Dima made approximately 41 unauthorized sales of Colgate-Palmolive Company (“Colgate”) stock in the account of RS, a senior customer. By this misconduct, Dima violated FINRA Rule 2010.
2. To conceal this unauthorized trading, Dima made fraudulent misrepresentations and omissions to RS. Dima falsely told RS that the sales were the result of computer issues, human error or statements to that effect, rather than his unauthorized trades. By this misconduct, Dima willfully violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Exchange Act Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010.

3. During the Relevant Period, Dima also made unsuitable trades in RS's account. Specifically, on approximately 11 occasions during this period, Dima sold all, or substantially all, of RS's Colgate stock, a "blue chip," dividend-paying stock, and after waiting a short period, purchased the same Colgate stock back in RS's account.
4. As a result of Dima's unsuitable trades, RS paid mark-ups, mark-downs and transaction costs of approximately \$376,000 and was deprived of approximately \$127,000 in dividend payments. RS also suffered trading losses of approximately \$72,000 from three of the unauthorized, round-trip (sell/buy) sequences of Colgate transactions. By this misconduct, Dima violated NASD Conduct Rule 2310 and FINRA Rules 2111 and 2010.
5. Additionally, the mark-ups and mark-downs that Dima charged RS in connection with the Colgate round-trip trades were not fair and reasonable. By this misconduct, Dima violated NASD Conduct Rule 2440, NASD Interpretative Manual ("IM") 2440-1, and FINRA Rules 2121 and 2010.

#### **RESPONDENT AND JURISDICTION**

6. In 1994, Dima became registered with FINRA as a General Securities Representative. Between 1994 and September 2009, Dima was registered with FINRA through his association with seventeen different member firms.
7. Since September 2009, Dima has been registered as a General Securities Representative, General Securities Principal and Limited Representative – Investment Banking through his association with K.C. Ward Financial ("KC Ward" or the "Firm"). In 2011, Dima also became registered through KC Ward as an Operations Professional.

8. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA possesses jurisdiction over Dima for purposes of this proceeding because (1) Dima is currently associated with a FINRA member firm and registered with FINRA; and (2) the Complaint charges Dima with securities-related misconduct committed while he was registered with FINRA.

## **FACTS**

### **CUSTOMER RS**

9. RS is 72 and a retired employee of Colgate, where she worked for more than 28 years.
10. RS first opened a brokerage account with Dima in approximately 2006, while Dima was associated with another firm, and in 2009 moved her account with Dima to KC Ward. . In addition to her brokerage account, RS maintained an IRA account at KC Ward that held approximately 90 percent of her holdings. . The violative trades alleged herein occurred entirely in RS's IRA account.
11. In September 2009, Dima prepared on RS's behalf a KC Ward New Account Form for RS's IRA account, which accurately identified RS's investment objective as "Maximum Growth," with a "Moderate" risk tolerance.
12. When RS opened her IRA account, she transferred into the account her primary retirement assets which consisted of approximately 7,543 shares of Colgate stock that she had accumulated during her 28 years of employment with the company.
13. During the Relevant Period RS was Dima's largest account, generating approximately 80 percent of Dima's commissions.

**DIMA'S UNSUITABLE COLGATE TRADES AND EXCESSIVE  
MARK-UPS/MARK-DOWNS**

14. As fully detailed in Exhibit A attached to this Complaint, during the Relevant Period, Dima made a series of 11 round-trip-trades in which he sold all, or virtually all, of RS's Colgate stock in RS's IRA account and, after waiting a short period, purchased the same amount of Colgate shares back in the account on a riskless principal basis.
15. For example, on or about October 31, 2012, Dima sold 5,000 Colgate shares in RS's account at prices ranging from \$103 to \$103.15 per share. Between December 6, 2012 and December 31, 2012, Dima repurchased the 5,000 Colgate shares in RS's account at prices ranging from \$106.87 to \$111.91 per share. Dima charged RS \$28,300 in mark-ups and mark-downs in connection with these transactions; while RS lost approximately \$18,561.
16. In total, during this period, Dima effected approximately 82 separate trades of Colgate stock, totaling approximately \$15 million, in RS's account.
17. For each trade, Dima determined the amount of mark-up/mark-down and executed all of the trades as riskless principal transactions.
18. For 80 of the Colgate trades, Dima charged RS a mark-up or mark-down of approximately 3% of the value of the trade. Thus, on average, RS paid approximately 6% in mark-ups/mark-downs in connection with each short-term, round-trip Colgate transaction. In total throughout the Relevant Period, Dima charged RS approximately \$372,000 in mark-ups and mark-downs solely to buy and sell Colgate stock.
19. Dima also required RS to pay a \$49 ticket charge for each trade. In total, RS was charged approximately \$4,000 in ticket charges on the Colgate trades.

20. Dima's frequent, short-term trading scheme deprived RS of approximately \$127,000 in dividend payments that she would have received had Dima not engaged in unauthorized short-term trading in her account.
21. In addition, RS suffered trading losses of approximately \$72,000 from three of Dima's unauthorized, round-trip sequences of Colgate transactions.
22. Had Dima not engaged in improper trading and maintained RS's Colgate position from inception with no intervening transactions (and reinvested dividends), her shares as of November 2015 would have been worth approximately \$1.145 million, rather than \$816,000, approximately a \$329,000 difference.

**DIMA CONCEALED HIS UNAUTHORIZED COLGATE SALES THROUGH  
FRAUDULENT MISREPRESENTATIONS**

23. During the Relevant Period, RS repeatedly told Dima that she was not interested in selling her Colgate stock holdings, which she considered a valuable long-term investment and reliable source of dividends. Colgate has paid an annual dividend to shareholders since 1895. (In 2015-2016, the quarterly dividend yield ranged from 2.1% to 2.4 %.)
24. Notwithstanding RS's stated desire to hold her Colgate shares, Dima effected approximately 41 unauthorized sales of Colgate stock in her account during the Relevant Period, as reflected on Exhibit A attached to this Complaint.
25. To conceal his unauthorized trades, Dima made numerous fraudulent misrepresentations and omissions to RS concerning the reasons for the repeated sales of Colgate stock in her account.

26. When RS noticed the sales of her Colgate stock, she questioned Dima about the transactions. In response, Dima frequently misrepresented to her that the trades were the result of a “computer glitch” or a technical error at the Firm or its clearing firm that had caused the shares to be sold without his knowledge or involvement.
27. On other occasions, Dima falsely told RS that the Colgate sales were the result of human error made at the Firm or its clearing firm.
28. However, throughout the Relevant Period, Dima never disclosed to RS that the Colgate sales in her account were, in fact, trades that he had effected without her authority.
29. Dima routinely misrepresented to RS that KC Ward would reimburse her for the fees and commissions she paid in connection with the unauthorized Colgate sales and that KC Ward would restore to her account dividend payments that she was entitled to receive. In fact, KC Ward never reimbursed RS for fees or commissions or repaid her the missed dividend payments as Dima promised.

**FIRST CAUSE OF ACTION**  
**Unauthorized Trading**  
**(Violation of FINRA Rule 2010)**

30. The Department realleges and incorporates by reference paragraphs 1-29.
31. FINRA Rule 2010 requires members and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”
32. During the Relevant Period, Dima effected approximately 41 sales of Colgate stock in RS’s account without her consent or authority.
33. By this misconduct, Dima violated FINRA Rule 2010.

## SECOND CAUSE OF ACTION

### **Fraudulent Misrepresentations and Omissions of Material Facts (Willful Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Violations of FINRA Rules 2020 and 2010)**

34. The Department realleges and incorporates by reference paragraphs 1 through 33 above.
35. Section 10(b) of the Exchange Act prohibits “any person, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national security exchange . . . to use or employ, in connection with the purchase or sale of any security . . . any manipulative or deceptive device or contrivance.”
36. Rule 10b-5 of the Exchange Act prohibits any person, “directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, (a) to employ any device, scheme or artifice to defraud, (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.”
37. FINRA Rule 2020 provides that “[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.”
38. In connection with the sales and repurchases of Colgate stock, Dima, by the use of the means of instrumentalities of interstate commerce (including telephone and email), or of the mails, knowingly, willfully and/or recklessly made numerous false statements to RS, and omitted to state facts necessary to make his statements not misleading.

39. As more fully described above, to conceal his unauthorized trades, Dima made fraudulent misrepresentations and omissions to RS concerning the reasons for the repeated sales and repurchases of Colgate stock in her account. Dima falsely told her that the sales were the result of computer issues, human error or statements to that effect, rather than his unauthorized trades. Additionally, Dima misrepresented to RS that to correct the “errors” and return RS’s account to its original share amount, he needed to buy back the shares of Colgate stock in her account.
40. These misrepresentations enabled Dima to conceal unauthorized trades and generated approximately \$372,000 in additional revenues for Dima and KC Ward.
41. The misrepresentations and omissions made by Dima to RS were material as they concealed unauthorized sales and resulted in new purchases.
42. Furthermore, in making the misrepresentations and omissions, Dima acted with scienter. He knew that his statements were false because he made the unauthorized trades and thus was aware that they were not the result of computer errors or human error.
43. By this misconduct, Dima willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and violated FINRA Rules 2020 and 2010.

**THIRD CAUSE OF ACTION**

**Unsuitable Recommendations**

**(Violation of NASD Conduct Rule 2310 and FINRA Rules 2111 and 2010)**

44. The Department realleges and incorporates by reference Paragraphs 1 through 43 above.



45. NASD Conduct Rule 2310 (applicable to conduct prior to July 9, 2012) and FINRA Rule 2111 (effective on July 9, 2012) require associated persons to have reasonable grounds to believe that a recommended securities transaction is suitable for the particular customer in light of the customer's investment profile, including the customer's age, financial situation and needs, risk tolerance, investment experience, and investment objectives.
46. As alleged above, Dima effected short-term, round-trip purchases and sales of Colgate stock without having a reasonable basis to believe that such purchases and sales were suitable for RS in view of the nature, frequency and size of the transactions, the risks and transaction costs associated with such transactions, and in light of RS's financial situation, investment objectives, circumstances and needs.
47. Dima's pattern of selling and then repurchasing Dima's Colgate shares during the Relevant Period also was inconsistent with RS's desire to hold the Colgate shares in her account as a long-term investment and as a means of generating dividends.
48. Dima's unsuitable recommendations resulted in harm to RS, in that she: paid mark-ups/mark-downs and fees of approximately \$376,000 for the Colgate trades; was deprived of approximately \$127,000 in dividend payments; and suffered trading losses of approximately \$72,000 from three of the round-trip sequences of Colgate transactions.
49. By this misconduct, Dima violated NASD Conduct Rule 2310 (for transactions occurring before July 8, 2012) and FINRA Rules 2111 (for transactions occurring on or after July 8, 2012) and 2010.

#### **FOURTH CAUSE OF ACTION**

##### **Excessive Mark-ups/Mark-downs**

##### **(Violation of NASD Conduct Rule 2440 and IM 2440-1 and FINRA Rules 2121 and 2010)**

50. The Department realleges and incorporates by reference Paragraphs 1 through 49 above.
51. NASD Conduct Rule 2440 and IM-2440-1 (applicable to conduct prior to May 8, 2014) and FINRA Rule 2121 (effective on May 8, 2014) require that if a member or registered representative associated with the member buys for his own account from a customer, or sells for his own account to his customer, “he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances.”
52. It is also a violation of NASD Conduct Rule 2440 and FINRA Rule 2121 for a registered representative to enter into any transaction with a customer in any security “at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable.”
53. During the Relevant Period, Dima effected approximately 80 trades (purchases and sales) of Colgate Stock in which he charged mark-ups or mark-downs of approximately 3% or more.
54. The mark-ups and mark-downs that Dima assessed were unreasonable, unfair and excessive taking into consideration all relevant circumstances, including the nature of the transactions, riskless principal trades, and the nature of the security, a widely-traded, blue chip stock.
55. By this misconduct, Dima violated NASD Conduct Rule 2440 and IM-2440-1 (for transactions occurring before May 8, 2014) and FINRA Rules 2121(for transactions occurring on or after May 8, 2014) and 2010.

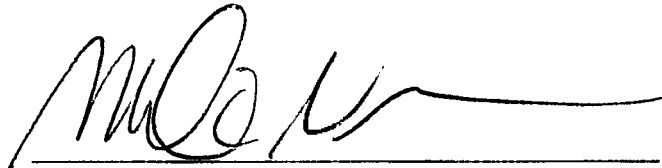
## RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

## FINRA DEPARTMENT OF ENFORCEMENT

Dated: August 18, 2016



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**Exhibit A**  
**DOE v. Craig David Dima**  
**(Case No. 2015046440701)**

**Schedule of Colgate Trades in RS's Account**

<b>Date</b>	<b>B/ S</b>	<b>Quantity</b>	<b>Price</b>	<b>Total</b>	<b>Mark-ups/ Mark-downs</b>
6/30/10	S	7,500	\$77.10	\$578,196	\$15,000
8/09/10	B	7,500	\$76.35	\$572,674	\$2,625
6/30/11	S	3,750	\$85.25	\$319,652	\$7,500
6/30/11	S	3,750	\$84.24	\$315,916	\$11,250
7/29/11	B	7,500	\$84.74	\$635,623	\$1,875
10/20/11	S	2,500	\$89.66	\$224,112	\$7,500
10/20/11	S	2,500	\$89.65	\$224,137	\$7,500
10/20/11	S	2,500	\$89.63	\$224,071	\$7,500
10/27/11	B	7,500	\$88.44	\$663,407	\$9,000
03/26/12	S	1,250	\$93.13	\$116,369	\$4,250
03/26/12	S	1,500	\$93.13	\$139,702	\$5,100
03/26/12	S	1,000	\$93.13	\$93,135	\$3,400
03/27/12	S	1,250	\$93.40	\$116,698	\$4,250
03/28/12	S	1,000	\$92.71	\$92,659	\$3,400
03/29/12	S	500	\$93.31	\$46,498	\$1,700
03/29/12	S	1,000	\$92.31	\$92,260	\$3,400
06/28/12	B	1,750	103.89	\$181,872	\$4,375
06/29/12	B	1,750	106.48	\$186,406	\$4,375
07/31/12	B	1,500	110.33	\$165,557	\$4,500
10/31/12	S	2,500	103	\$257,445	\$5,000
10/31/12	S	2,500	103.15	\$257,829	\$5,000
12/06/12	B	1,500	111.97	\$168,017	\$5,250
12/06/12	B	1,500	111.91	\$167,927	\$5,250
12/31/12	B	2,000	106.87	\$213,791	\$7,800
1/18/13	B	500	112.68	\$56,393	\$2,000
01/31/13	B	457	111.77	\$51,132	\$1,828
02/21/13	S	6,000	113.27	\$679,563	0
02/27/13	B	1,500	117.65	\$176,524	\$4,500
02/28/13	B	1,500	117.92	\$176,929	\$4,500
02/28/13	B	1,000	117.90	\$117,955	\$3,000
02/28/13	B	1,500	117.75	\$176,674	\$4,500

Date	B/ S	Quantity	Price	Total	Mark-ups/ Mark-downs
02/28/13	B	1,500	118.20	\$177,362	\$4,500
03/04/13	S	1,000	114.44	\$114,389	0
05/14/13	S	3,000	122.17	\$366,452	\$3,000
05/21/13	S	6,000	62.00	\$364,502	\$7,440
05/29/13	B	3,500	61.95	\$216,873	\$7,875
05/30/13	B	3,500	61.90	\$216,699	\$7,875
05/31/13	B	3,000	60.52	\$181,608	\$6,600
05/31/13	B	2,500	61.05	\$152,673	\$5,625
11/18/13	S	1,510	63.85	\$96,362	\$2,265
11/19/13	S	3,200	63.69	\$203,75	\$4,800
11/20/13	S	3,500	\$63.97	\$223,842	\$5,250
11/21/13	S	2,000	\$64.46	\$128,869	\$3,000
11/22/13	S	2,290	\$64.70	\$148,112	\$3,435
02/24/14	B	2,535	\$64.20	\$162,796	\$5,070
02/25/14	B	2,550	\$63.97	\$163,193	\$5,100
02/26/14	B	2,550	\$63.95	\$163,118	\$5,100
03/21/14	B	2,525	\$65.5	\$165,436	\$5,050
03/24/14	B	2,525	\$65.34	\$165,056	\$5,050
06/27/14	S	3,000	\$66.58	\$199,703	\$4,500
06/27/14	S	3,000	\$66.60	\$199,768	\$4,500
06/27/14	S	1,685	\$66.53	\$112,054	\$2,527
06/30/14	S	2,500	\$67.18	\$167,900	\$3,750
06/30/14	S	2,400	\$66.90	\$160,529	\$3,600
07/31/14	B	4,000	\$64.63	\$258,595	\$4,000
07/31/14	B	3,000	\$64.65	\$194,024	\$3,000
08/26/14	B	2,000	\$66.85	\$133,768	\$4,000
08/27/14	B	2,000	\$66.78	\$133,616	\$4,000
12/16/14	S	2,000	\$66.13	\$132,209	\$4,000
12/17/14	S	2,000	\$66	\$131,947	\$4,000
12/17/14	S	2,000	\$66	\$132,167	\$4,000
12/18/14	S	3,000	67	\$200,946	\$6,000
12/18/14	S	2,000	\$66.71	\$133,375	\$4,000
01/29/15	B	2,500	\$70.93	\$177,397	\$5,000
01/30/15	B	2,000	\$70.09	\$140,237	\$4,000
01/30/15	B	2,000	\$69.78	\$139,628	\$4,000
01/30/15	B	2,000	\$70	\$140,049	\$4,000
01/30/15	B	1,400	\$69.91	\$97,923	\$2,800
7/27/15	S	1,500	\$64.73	\$97,044	\$3,600

<b>Date</b>	<b>B/ S</b>	<b>Quantity</b>	<b>Price</b>	<b>Total</b>	<b>Mark-ups/ Mark-downs</b>
07/28/15	S	1,500	\$65.31	\$97,923	\$3,600
07/28/15	S	1,500	\$65.27	\$97,855	\$3,600
07/28/15	S	1,500	\$65.94	\$98,866	\$3,600
07/29/15	S	1,500	\$66.27	\$99,354	\$3,750
07/29/15	S	1,500	\$66.50	\$99,699	\$3,750
07/31/15	S	1,000	\$65.57	\$65,519	\$2,400
08/24/15	B	2,000	\$65.35	\$130,749	\$4,700
08/24/15	B	2,000	\$65.48	\$131,018	\$4,700
08/24/15	B	2,000	\$64.85	\$129,749	\$4,700
08/24/15	B	2,000	\$65.15	\$130,349	\$4,700
08/24/15	B	2,000	\$65.35	\$130,749	\$4,700
08/24/15	B	2,000	\$64.85	\$129,749	\$4,700
08/26/15	B	100	\$63.05	\$6,354	\$200
				82 Trades = \$15.14 M	<b>\$372,540</b>