FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018057247101

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

RE: Brian Douglas Engstrom, Respondent
Former General Securities Representative and General Securities Sales Supervisor
CRD No. 1838926

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Brian Douglas Engstrom 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 Respondent 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

Engstrom first became registered with FINRA in 1989. Engstrom became registered as a General Securities Representative and a General Securities Sales Supervisor through an association with Oppenheimer & Co. Inc. (CRD No. 249) ("Oppenheimer" or the "Firm") in 2002. On October 25, 2016, Oppenheimer filed a Uniform Termination Notice for Securities Industry Registration ("Form U5"), stating that Engstrom had resigned effective October 20, 2016.

Between October 2016 and April 2020, Engstrom was registered as a General Securities Representative and a General Securities Sales Supervisor through an association with another FINRA member firm.

Engstrom is not currently registered or associated with a FINRA member firm. However, Engstrom remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

On or about July 8, 1996, Engstrom entered into a Stipulation and Consent Agreement with the Florida Department of Banking and Finance, through which Engstrom consented to findings that he offered and sold securities in the state of Florida when he was not licensed to do so. The agreement required Engstrom to pay a fine of $500.00.

OVERVIEW

Between July 1, 2011 and December 31, 2015 (the "Relevant Period"), Engstrom engaged in an unsuitable pattern of short-term trading of Unit Investment Trusts in customer accounts. Based on the foregoing, Engstrom violated NASD Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on or after July 9, 2012), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Unit Investment Trusts

A Unit Investment Trust ("UIT") is a SEC-registered investment company that offers investors shares or "units" in a fixed portfolio of securities via a one-time public offering. A UIT terminates on a specified maturity date, often after 15 or 24 months, at which point the underlying securities are sold and the resulting proceeds are paid to the investors. A UIT's portfolio is not actively managed between the trust's inception and its maturity date.

UIT sponsors often offer UIT product lines in successive "series," with the offering periods for new series typically coinciding with the maturity date of prior series. Successive series of UITs often have the same or similar investment objectives and investment strategies as the prior series, even if the portfolio of securities held by the UIT changes from series to series.

UITs impose a variety of upfront sales charges. For example, during the Relevant Period, a typical 24-month UIT contained three separate charges: (1) an initial sales charge, which was generally 1% of the purchase price; (2) a deferred sales charge, which was generally up to 2.5% of the offering price; and (3) a creation and development fee ("C&D fee"), which was generally 0.5% of the offering price.[1] If the proceeds from the sale of a UIT were "rolled over" to fund the purchase of a new UIT, UIT sponsors often waived the initial sales charge, but still applied the deferred sales charge and C&D fee.

A registered representative who recommended the sale of a customer's UIT before its maturity date and used the sale proceeds to purchase a new UIT would cause the customer to incur greater sales charges than if the customer had held the UIT until maturity. For example, a hypothetical customer who purchased a 24-month UIT and held

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[1] In addition to these charges, most UITs charged annual operating expenses that are paid to the sponsor out of the assets of the UIT.

it until maturity would have paid a sales charge of about 3.95%. However, if after six months, the customer rolled over the UIT into a new UIT, he or she would have paid an additional 2.95% in sales charges. And, if the customer repeatedly rolled over the existing UIT into a new UIT every six months, he or she would have paid total sales charges of approximately 12.8% over a two-year period.

Because of the long-term nature of UITs, their structure, and their costs, short-term trading of UITs may be improper.

B. Engstrom Engaged in an Unsuitable Pattern of Early Rollovers of UITs

During the Relevant Period, Engstrom recommended his customers roll over UITs more than 100 days prior to maturity on approximately 1,000 occasions. Indeed, although his customers' UITs typically had a 24-month maturity period, Engstrom recommended that they sell their UITs after holding them for, on average, only 393 days, and use the proceeds to purchase a new UIT.

Of the approximately 1,000 early rollovers recommended by Engstrom, more than 500 were "series-to-series" rollovers. In other words, on more than 500 occasions, Engstrom recommended that his customers roll over a UIT before its maturity date in order to purchase a subsequent series of the same UIT, which, as noted above, generally had the same or similar investment objectives and strategies as the prior series.

As one example of a recommended "series-to-series" rollover, Engstrom recommended that a customer purchase a UIT issued in the second quarter of 2011 that had an investment objective of an "above-average total return" and an investment strategy of investing in securities that "provide the potential for stable income and price appreciation in an inflationary environment" (the "2011 Q2 Series"). Although the 2011 Q2 Series UIT had a 24-month maturity period, Engstrom recommended that his customer sell it after holding it for approximately 13 months and use the proceeds to purchase a later series of the same UIT issued in the second quarter of 2012 (the "2012 Q2 Series"). The 2012 Q2 Series had the same or a similar investment objective and strategy as the 2011 Q2 Series. Engstrom's recommendation that his customer sell the 2011 Q2 Series approximately 11 months prior to its maturity and use the proceeds to purchase the 2012 Q2 Series caused his customer to incur increased sales charges to purchase what was, essentially, the same investment.

Engstrom's recommendations caused his customers to incur unnecessary sales charges,[2] and were unsuitable in view of the frequency and cost of the transactions.

By virtue of the foregoing, Engstrom violated NASD Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on or after July 9, 2012), and FINRA Rule 2010.

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[2] Engstrom's customers received reimbursement of these excess sales charges from Oppenheimer in connection with FINRA's separate settlement with the Firm. *See Oppenheimer & Co. Inc.*, AWC No. 2016050948101 (December 2019).

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

- A suspension from association in any and all capacities with any FINRA member firm for a period of three months; and

- A $5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member Firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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.

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 him;

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 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.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

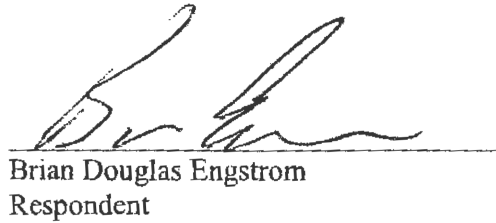
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

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 he 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.

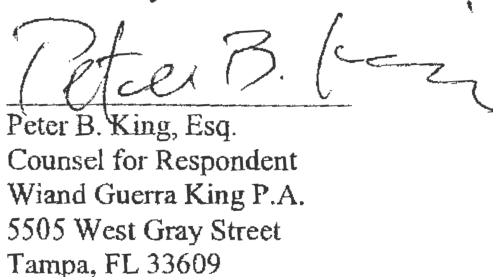
Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit this AWC.

April 10 2020
Date



Brian Douglas Engstrom
Respondent

Reviewed by:

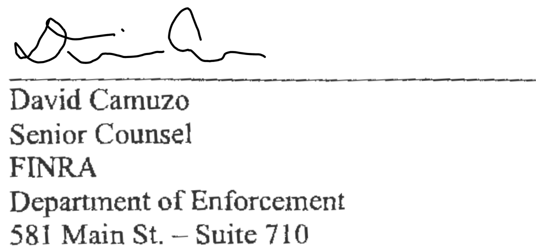


Peter B. King, Esq.
Counsel for Respondent
Wiand Guerra King P.A.
5505 West Gray Street
Tampa, FL 33609

Accepted by FINRA:

April 20, 2020
Date

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



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