

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2017054419802**

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

RE: Jaime E. Carvallo, Respondent  
General Securities Representative, General Securities Principal, Investment Banking  
Representative, Operations Professional  
CRD No. 4520352

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**

Carvallo entered the securities industry in September 2001 and was associated with five FINRA members as a General Securities Representative through May 2017. From January 12, 2010 through May 2017, Carvallo was registered with FINRA through an association with Park Sutton Advisors, LLC (“Park Sutton” or the “Firm”). During his association with Park Sutton, Carvallo was registered as a General Securities Representative and General Securities Principal (as of January 12, 2010), an Investment Banking Representative (as of April 13, 2010), and an Operations Professional (as of December 13, 2011). In addition, Carvallo served as President and Chief Compliance Officer (“CCO”) of Park Sutton.

On May 26, 2017, the Firm filed with FINRA a Uniform Termination Notice for Securities Registration (“Form U5”) reporting that it had permitted Carvallo to resign on May 10, 2017. In the Form U5, the Firm disclosed that Carvallo had been charged with two counts of forgery, two counts of identity theft, and two counts of falsifying business records, that Carvallo had pled not guilty, and that the

“[d]isposition[s] [were] subject to negotiation with District Attorney of New York County.” The Form U5 also disclosed that the Firm had initiated an internal review of Carvalho’s conduct on August 16, 2016 in connection with a grand jury subpoena it had received from the New York County District Attorney’s Office.

On January 25, 2018, the Firm filed an amended Form U5 to reflect a date of disposition of December 20, 2017 for the criminal matter. The Firm also disclosed that, “[a]fter meeting certain conditions set by the Court, Mr. Carvalho’s case was closed with entry of a plea of guilty to a violation of ‘disorderly conduct.’”

Although Carvalho is not currently registered or associated with a FINRA member firm, pursuant to Article V, Section 4 of FINRA’s By-Laws, he remains subject to FINRA’s jurisdiction.

### **OVERVIEW**

From November 2011 through June 2015, Carvalho forged the signatures of ten Firm employees and used their confidential personal information to create false online bidding accounts at three auction houses in their names, and to participate in 26 auctions, without the employees’ authorization. Carvalho engaged in this conduct after the auction houses prohibited him from participating in auctions, because he had previously failed to pay for or collect items he had won at auction. By virtue of this conduct, Carvalho violated FINRA Rule 2010.

### **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 2010 requires an associated person to observe high standards of commercial honor and just and equitable principles of trade in the conduct of his business.

By 2009, several auction houses had prohibited Carvalho from participating in their auctions, because on multiple occasions, he had bid for and won items at auction and then failed to pay for and collect the items. From approximately November 2011 through June 2015 (the “Relevant Period”), Carvalho had access to the Firm’s confidential personnel records in his role as the Firm’s President and Chief Compliance Officer (“CCO”). In order to circumvent the auction houses’ bans and continue to bid in auctions as he desired, Carvalho impersonated ten current and former Firm employees (the “employees”) during the Relevant Period.

Carvalho obtained the employees’ personal information from the Firm’s personnel files to create approximately 20 false online bidding accounts at three auction houses (collectively, the “Auction Houses”) that were purportedly opened for these employees and to which these employees did not consent. To create the false accounts, Carvalho input the employees’ names into the Auction Houses’ online account opening systems to create the false impression that these

individuals were opening the accounts. In addition, Carvallo invented fictional email addresses, physical addresses, and dates of birth for each employee and submitted that false information electronically to the Auction Houses in order to open the false accounts.

In or about March 2012, Carvallo also falsified his own telephone bill to create a fictitious proof of address for one of the false accounts. He removed his own name from the bill, inserted the name of one of the employees and changed the address on the bill to match the fictitious address associated with the false account. Carvallo submitted that falsified bill to Auction House A in response to its request for proof of address for the false account.

After opening these false accounts, Carvallo used them to participate in 26 online or telephone auctions during the Relevant Period. To do so, Carvallo registered each account with the relevant Auction House conducting the auction. As part of the registration process, the Auction Houses asked account-holders for proof of identification. In response to those requests, Carvallo obtained copies of the employees' driver's licenses and passports from Firm personnel files, and provided them to the Auction Houses via email from fictitious email accounts he created using the employees' names, without authorization from the employees. Carvallo then used the false accounts to bid on items during auctions that the Auction Houses conducted online via the internet or via telephone.

Carvallo participated in the auctions during Firm business hours, at the Firm's office, using the Firm's computer equipment.

By bidding on these items, Carvallo purported to bind the employees to the Auction Houses' conditions of sale, which governed their respective auctions. Pursuant to these conditions of sale, a successful bid in an auction created a sales contract between the seller and successful bidder, and successful bidders could be held legally responsible for the winning bid price of the item won.

On 26 occasions, Carvallo used the false accounts he created to win bids at the Auction Houses for items totaling over \$500,000 in value. In all but one of these instances, Carvallo did not pay for or collect these items.

On one occasion in June 2015, Carvallo won an online auction at Auction House B using a false account under the name of Employee B – a then-current Firm employee. Carvallo forged Employee B's signature on Auction House B's documents relating to the items won at the auction. Carvallo also forged Employee B's initials on a form authorizing Auction House B to collect tax on the items. In addition, Carvallo submitted a credit card authorization form containing his own credit card number, authorizing payment of \$9,526.56, which included the tax. Carvallo used his own credit card to pay for the items. However, he forged Employee B's name on the credit card authorization form.

By virtue of the foregoing, Carvallo violated FINRA Rule 2010.

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

A bar in all capacities from associating with any FINRA 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.

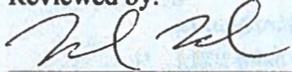
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

12/26/18

Date (mm/dd/yyyy)

Jaime Carvallo, Respondent

Reviewed by:



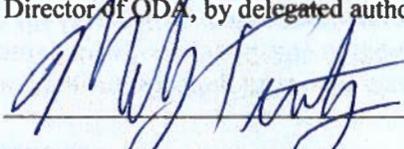
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Accepted by FINRA:

1/8/2019

Date

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



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