



1 salesperson and investment adviser representative at RBC Capital Markets, LLC (RBC) from March 2, 1998  
2 to March 7, 2011, when he was discharged by the firm. From November 22, 1994 to March 2, 1998, Paul  
3 was registered with the Division as a securities salesperson at Dain Rauscher Inc., which merged with RBC  
4 in 1998. RBC is a member firm of the Financial Industry Regulatory Authority (“FINRA”), a self-regulatory  
5 organization, as was Dain Rauscher, Inc. Paul’s Central Registration Depository (“CRD”) number is  
6 2540039.

### 7 Nature of the Conduct

8 2. While registered at RBC, Paul engaged in dishonest or unethical business practices by borrowing  
9 money from a client. In addition, Paul violated FINRA rules and RBC policy by providing inaccurate  
10 information to the firm about some of the outside business activities he was involved in, and by failing to  
11 seek pre-approval for some of his outside business activities. In March 2011, after becoming aware of Paul’s  
12 loan from a client, RBC terminated Paul’s employment for violating RBC’s code of conduct and policies. In  
13 April 2012, Paul settled allegations of rule violations made by FINRA regarding the above conduct, and he  
14 consented to a fine and suspension from association with any FINRA member firm for one year. In  
15 documents subsequently filed with the Securities Division on Paul’s behalf, Paul misrepresented this  
16 termination and regulatory history to the Division.  
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### 18 *Background*

19 3. In September 2009, Paul and one of his outside business activities borrowed \$6.5 million from a  
20 client. The loan was used to fund a commercial real estate project, and it was secured by a piece of property  
21 that Paul had purchased from a different client. In order to loan Paul the money the client set up a line of  
22 credit with Royal Bank of Canada – Global Private Banking, which Paul facilitated.

23 4. Generally, a registered person is prohibited from borrowing money from a client. Special  
24 circumstances may allow an exception to this prohibition, but a registered person must get written approval  
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1 from the firm before any borrowing can occur. Paul did not notify RBC or request approval from the firm  
2 before borrowing \$6.5 million from his client. In March 2010, six months after he borrowed the money,  
3 Paul completed an annual RBC compliance questionnaire in which he falsely stated that he had never  
4 borrowed money from a client. In August 2010, the firm received an anonymous tip stating that Paul had  
5 taken a loan from a client. When the firm approached Paul about the tip and the possible existence of a loan,  
6 Paul denied borrowing money from a client.

7 5. Paul borrowed \$6.5 million from his client personally and on behalf of his wholly owned entity,  
8 MP22, LLC. Because MP22, LLC was an outside business activity, Paul's involvement in the business  
9 required pre-approval by the firm. Paul did not seek approval from the firm before forming or acting on  
10 behalf of the entity. MP22, LLC was formed in September 2009, and Paul did not inform the firm of the  
11 entity's existence until July 2010.

12 6. Paul disclosed MP22, LLC after the firm had expressly made disclosure of outside business  
13 activities and private securities transactions by Paul a condition of his employment. The firm took this step  
14 after it determined that Paul had failed to follow RBC policy and FINRA rules regarding private securities  
15 transactions: Paul failed to seek approval before investing in an outside investment, he introduced clients to  
16 outside investments that he had invested in, and he gave the firm false information about client involvement  
17 in an outside investment. According to records from RBC, Paul was not compensated for his role in these  
18 private securities transactions.

19 7. When Paul disclosed MP22, LLC to the firm, he did not reveal that he and the entity had borrowed  
20 money from a client. Instead, he identified the client as a non-partner investor. When the firm asked for  
21 clarification of the client's role within MP22, LLC, Paul stated that the client was an owner. When the firm  
22 questioned this ownership because Paul owned 100% of MP22, LLC, Paul explained that he owned MP22,  
23 LLC, which owned the land, and the client owned the improvements on the land. In November 2010, based  
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1 upon the inaccurate information Paul provided and unaware of the loan from a client, RBC approved Paul's  
2 involvement in MP22, LLC.

3 8. During his time at RBC, Paul engaged in several different outside business activities besides MP22,  
4 LLC. In at least two instances, Paul did not seek approval for an outside business activity until years after he  
5 started the activity. Further, Paul gave inaccurate information about his degree of involvement in at least  
6 three outside business activities, stating that he was a passive owner when he was an active owner or  
7 reporting a lower percentage of ownership than what he held.

8 9. In February 2011, the firm learned that Paul and MP22, LLC had borrowed \$6.5 million from a  
9 client. On March 7, 2011, RBC discharged Paul for violating the firm's code of conduct and policies by  
10 borrowing money from a client.

11 *Termination Disclosure*

12 10. In order to apply for a securities registration or file required updates with the Securities Division, a  
13 person must file a Form U4 with CRD and/or IARD. If information reported on the Form U4 has changed,  
14 the registered person must file an updated Form U4 within thirty days of the change.

15 11. On March 23, 2011, to apply for Paul's registration with the Securities Division as an investment  
16 adviser representative, Northwest Asset Management filed a Form U4 on Paul's behalf. The form denied  
17 that Paul had been terminated by a firm for violating firm policies and industry standards. Two days later,  
18 based upon the false information provided in the Form U4 and unaware of Paul's termination by RBC, the  
19 Securities Division approved Paul's registration.

20 12. On March 28, 2011, RBC filed a form with CRD reporting Paul's full termination from the firm. The  
21 firm explained that Paul had been discharged on March 7, 2011 for violating the firm's code of conduct and  
22 policies by borrowing \$6.5 million from a client.  
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13. On April 14, 2011, more than thirty days after Paul was discharged by RBC, Northwest Asset Management filed an amended Form U4 on Paul's behalf. The Form U4 acknowledged Paul's termination by RBC for violating firm policy, and it falsely stated that Paul had been terminated by RBC on March 28, 2011.

*FINRA Action*

14. Paul was registered with a FINRA member firm from November 22, 1994 to March 7, 2011. While Paul was associated with a FINRA member firm, he was required to comply with FINRA rules. Beginning in 2011, FINRA conducted an investigation related to Paul's conduct as described above. FINRA found that when Paul and MP22, LLC borrowed \$6.5 million from a client, Paul violated NASD Conduct Rule 2370 (now FINRA Rule 3240) and FINRA Rule 2010. FINRA also found that when Paul provided inaccurate information to the firm about the loan from a client and MP22, LLC, he violated FINRA Rule 2010. Finally, FINRA found that when Paul engaged in outside business activities without providing prompt written notice to the firm, and when he provided inaccurate information to the firm upon disclosure of the outside business activity, Paul violated NASD Conduct Rule 3030 (now FINRA Rule 3270) and FINRA Rule 2010.

15. On April 19, 2012, FINRA accepted Paul's Letter of Acceptance, Waiver and Consent ("AWC"), which settled the rule violations alleged by FINRA. Without admitting or denying the findings, Paul accepted and consented to FINRA's entry of findings of fact. In addition, Paul consented to the imposition of a \$20,000 fine and a one year suspension from association with any FINRA member firm in any capacity. The suspension began on May 7, 2012 and ended on May 6, 2013.

*Regulatory Action Disclosure*

16. After Paul settled the FINRA action he did not file, or cause to be filed, an updated Form U4 within thirty days of the settlement disclosing that FINRA had found Paul to be in violation of FINRA rules, and that FINRA had suspended Paul from association with any FINRA member firm for one year. Further, on

1 March 12, 2013, Northwest Asset Management filed a Form U4 on Paul's behalf that denied any regulatory  
2 action disclosures. The Form U4 falsely stated that a self-regulatory organization had never found Paul to be  
3 involved in the violation of rules, and it falsely stated that a self-regulatory organization had never  
4 disciplined Paul by barring or suspending him from association with its members. On March 12, 2014,  
5 Northwest Asset Management filed an updated Form U4 on Paul's behalf that disclosed the regulatory  
6 action taken by FINRA.

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8 Based upon the above Findings of Fact, the following Conclusions of Law are made:

9 **CONCLUSIONS OF LAW**

10 **I.**

11 Marty Edward Paul borrowed money from a client, which is dishonest or unethical business practice  
12 as defined by WAC 460-24A-220(6) and WAC 460-22B-090(1). Such conduct is grounds for denial of  
13 future securities registration applications, imposition of a fine, and charging of costs pursuant to RCW  
14 21.20.110(1)(g) and RCW 21.20.110(7).

15 **II.**

16 Marty Edward Paul made, or caused to be made, materially false or misleading statements to the  
17 Division when Form U4s filed on Paul's behalf gave false information related to Paul's termination from  
18 RBC and Paul's regulatory history. Such conduct is a violation of RCW 21.20.350, and it is grounds for  
19 denial of future securities registration applications, imposition of a fine, and charging of costs pursuant to  
20 RCW 21.20.110(1)(a), RCW 21.20.110(1)(b), and RCW 21.20.110(7).

21 **III.**

22 Marty Edward Paul failed to meet his continuing obligation as an investment adviser representative  
23 to promptly update information required in the Form U4. Paul did not file, or cause to be filed, updated  
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1 Form U4s disclosing his termination from RBC and his entering into an AWC with FINRA within thirty  
2 days of these events. Such conduct violates WAC 460-24A-205, and it is grounds for denial of future  
3 securities registration applications, imposition of a fine, and charging of costs pursuant to RCW  
4 21.20.110(1)(b) and RCW 21.20.110(7).

5 **IV.**

6 Marty Edward Paul effected transactions in securities not recorded on the regular books or records of  
7 the broker-dealer he represented when he introduced clients to investments away from RBC. Such conduct  
8 is dishonest or unethical business practice as defined by WAC 460-22B-090(2), and it is grounds for denial  
9 of future securities registration applications, imposition of a fine, and charging of costs pursuant to RCW  
10 21.20.110(1)(g) and RCW 21.20.110(7).

11 **V.**

12 Marty Edward Paul violated FINRA Rule 3270, FINRA Rule 3240, and FINRA Rule 2010 when he  
13 borrowed money from a client, engaged in outside business activities without pre-approval from his firm,  
14 and provided inaccurate information to the firm regarding these activities. This failure to comply with  
15 FINRA rules is dishonest or unethical behavior as defined by WAC 460-22B-090(19), and it is grounds for  
16 denial of future securities registration applications, imposition of a fine, and charging of costs pursuant to  
17 RCW 21.20.110(g) and RCW 21.20.110(7).

18 **VI.**

19 Marty Edward Paul is the subject of a settlement with FINRA suspending him from association with  
20 any FINRA member firm for one year. This suspension by a self-regulatory organization is grounds for  
21 imposition of a fine and charging of costs pursuant to RCW 21.20.110(1)(e)(iii) and RCW 21.20.110(7).  
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1 **CONSENT ORDER**

2 Based upon the foregoing and finding it in the public interest:

3 IT IS AGREED AND ORDERED that Respondent Marty Edward Paul shall cease and desist from  
4 violating RCW 21.20.350, the false filing section of the Securities Act of Washington.

5 IT IS FURTHER AGREED AND ORDERED that Respondent Marty Edward Paul shall not make  
6 application for nor be granted an investment adviser representative or broker-dealer salesperson registration  
7 for a period of eighteen months ending on January 31, 2016.

8 IT IS FURTHER AGREED AND ORDERED that Respondent Marty Edward Paul shall be liable  
9 for and shall pay a fine in the amount of \$20,000 prior to the entry of this Consent Order.

10 IT IS FURTHER AGREED AND ORDERED that Respondent Marty Edward Paul shall be liable  
11 for and shall pay investigative costs in the amount of \$4,500 prior to entry of this Consent Order.

12 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

13 IT IS FURTHER AGREED that Respondent Marty Edward Paul entered into this Consent Order  
14 freely and voluntarily and with a full understanding of its terms and significance.

15 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Marty Edward Paul  
16 waives his right to a hearing and to judicial review of this matter pursuant to RCW21.20.440 and Chapter  
17 34.05 RCW.

18 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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20 Signed this 9<sup>th</sup> day of October 2014.

21 Signed by:

Approved as to Form by:

22  
23 /s/  
24 Marty Edward Paul, individually

/s/  
Lawrence R. Cock, Attorney for Respondent  
WSBA No. 20326

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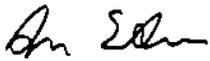
SIGNED and ENTERED this 20th day of October 2014.



William M. Beatty  
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason  
Chief of Enforcement

Holly Mack-Kretzler  
Financial Legal Examiner

Reviewed by:



Robert Kondrat  
Financial Legal Examiner Supervisor