

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019060645001**

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

RE: Efthimios George Petrou (Respondent)
Former General Securities Representative and General Securities Principal
CRD No. 2672840

Pursuant to FINRA Rule 9216, Respondent Efthimios George Petrou 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Petrou first became registered with FINRA in 1995. Petrou was registered as a General Securities Representative and a General Securities Principal through his association with Arive Capital Markets between July 2015 and July 2022. Arive filed a Uniform Termination Notice for Securities Industry Registration terminating Petrou's registration on July 26, 2022.

Petrou is not currently registered or associated with a FINRA member firm. He remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

OVERVIEW

Between January 2017 and October 2018, Petrou excessively and unsuitably traded one customer's account, in violation of FINRA Rules 2111 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2019 cycle exam of Arive Capital Markets.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

FINRA Rule 2111(a) requires in pertinent part that member firms and their associated persons “have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” FINRA Rule 2111 Supplementary Material .05 (Rule 2111.05) defines the “quantitative suitability” obligation, which requires a member or associated person who has actual or de facto control over trading in a customer account “to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer’s investment profile.”

Rule 2111.05(c) states that “[n]o single test defines when trading is excessive, but factors such as the turnover rate and the cost-to-equity ratio, and the use of in-and-out trading in a customer’s account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.” Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account has to appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. A turnover rate of six or a cost-to-equity ratio above 20 percent generally indicates that an account has been excessively traded.

FINRA Rule 2010 requires that all members, in the conduct of their business, “shall observe high standards of commercial honor and just and equitable principles of trade.”

Between January 2017 and October 2018, while he was registered through Arive, Petrou engaged in excessive and unsuitable trading, including the use of margin, in the account of Customer A. Customer A was a retired pharmacist from Georgia and was 67 years old when he opened his account at Arive. Customer A had limited knowledge of the stock market.

During the relevant period, Petrou recommended that Customer A place 73 trades—all on margin—in his account, and Customer A accepted Petrou’s recommendations. Collectively, the trades that Petrou recommended caused Customer A to pay \$88,348.13 in commissions and trade costs and another \$7,958.52 in margin interest for a total of \$96,306.65. This trading resulted in a cost-to-equity ratio of more than 86 percent—meaning the customer’s investments had to grow by more than 86 percent just to break even. Although Customer A’s account had an average month-end equity of approximately \$60,537.26, Petrou recommended purchases with a total principal value of approximately \$2,441,587.34, which resulted in an annualized turnover rate in the account of 22. As a result of Petrou’s unsuitable recommendations, Customer A realized a loss of approximately \$17,000.

Petrou recommended securities transactions in Customer A’s account that were excessive and unsuitable given the customer’s investment profile. Therefore, Petrou violated FINRA Rules 2111 and 2010.

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

- a six-month suspension from associating with any FINRA member in all capacities;
- a \$5,000 fine; and
- restitution of \$96,306.65 plus interest as described below.

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.

Restitution is ordered to be paid to the customer listed on Attachment A to this AWC in the total amount of \$96,306.65, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from January 2017 until the date of payment. Restitution amounts ordered, pursuant to this disciplinary action, are due and payable 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. The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts, within such period, or such additional period, as agreed to by FINRA, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions 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 in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

August 2, 2022

Date

Efthimios George Petrou

Efthimios George Petrou
Respondent

Reviewed by:

SCOTT HOLCOMB

Scott Holcomb
Counsel for Respondent
Holcomb + Ward, LLP
3455 Peachtree Road NE, Suite 500
Atlanta, Georgia 30326

Accepted by FINRA:

August 19, 2022

Date

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

Michael P. Morrissey

Michael P. Morrissey
Principal Counsel
FINRA
Department of Enforcement
581 Main Street, 7th Floor
Woodbridge, NJ 07095