

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2019061956701**

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

RE: Patrick Nicholas Teutonico (Respondent)  
General Securities Representative  
CRD No. 2875434

Pursuant to FINRA Rule 9216, Respondent Patrick Nicholas Teutonico 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**

Teutonico first became registered with FINRA in 1997. Teutonico became registered as a General Securities Representative through an association with Network 1 Financial Securities Inc. in December 2012. Teutonico is currently registered in that capacity through Network 1.

On March 27, 2015, Teutonico entered into an AWC (FINRA Matter No. 2012030774502), through which he consented to findings that he effected four unauthorized trades in customer accounts. The AWC imposed a 15-business day suspension from associating with any member firm in all capacities and required Teutonico to pay a fine of \$5,000.<sup>1</sup>

**OVERVIEW**

Between July 2018 and June 2019, Teutonico excessively and unsuitably traded one customer's account, in violation of FINRA Rules 2111 and 2010.

---

<sup>1</sup> For more information about the Respondent, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111(a) provides in pertinent part that “[a] member or an associated person must 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.” Recommended securities transactions may be unsuitable if, when taken together, they are excessive, the level of trading is inconsistent with the customer’s investment profile, and the registered representative exercises control over the customer’s account.

No single test defines when trading is excessive, but factors such as the turnover rate and the cost-to-equity ratio are considered in determining whether a member firm or associated person has violated FINRA’s suitability rule. 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 must 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 excessive trading has occurred.

A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010, which requires associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Between July 2018 and June 2019, Teutonico excessively and unsuitably traded the account of Customer A. During this period, Teutonico recommended more than 130 trades to Customer A; Customer A followed Teutonico’s recommendations. Although Customer A’s account had an average monthly equity of approximately \$94,000, the trades recommended by Teutonico resulted in Customer A paying \$42,092 in commissions and other trading costs during the relevant period. Collectively, those trades resulted in Customer A’s account having an annualized turnover rate of 13 and an annualized cost-to-equity ratio of more than 35 percent—meaning Customer A’s investments would have had to grow by more than 35 percent just to break even.

Teutonico’s recommended trades in Customer A’s account were excessive and unsuitable. Therefore, Teutonico violated FINRA Rules 2111 and 2010.

- B. Respondent also consents to the imposition of the following sanctions:
- a three-month suspension from associating with any FINRA member in all capacities; and
  - restitution of \$42,092 plus interest as described below.<sup>2</sup>

---

<sup>2</sup> The restitution imposed in this AWC is the commissions and other trading costs paid by Customer A.

Restitution is ordered to be paid to the customer listed on Attachment A to this AWC in the total amount of \$42,092, 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 June 30, 2019 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent has submitted a statement of financial condition and demonstrated an inability to pay full restitution immediately upon issuance of the AWC. In light of the financial status of Respondent, restitution of \$42,092 to the customer listed in Attachment A shall be payable according to the schedule set forth in Attachment A, commencing with the first payment to be made on the 15th day of the month following the notice of acceptance of the AWC.

Respondent shall submit satisfactory proof of payment of restitution and prejudgment interest (separately specifying the date and amount of each paid to each customer listed on Attachment A) or of reasonable and documented efforts undertaken to effect restitution after each payment due under the installment plan. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 15 days after each payment is due.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 15 days from the date each payment is due under the installment plan, or such additional period agreed to by FINRA in writing, 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 shall provide satisfactory proof of such action to FINRA in the manner described above within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent specifically and voluntarily waives any right to claim an inability to pay at any time after the execution of this AWC the monetary sanction imposed in this matter.

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.

As stated, Respondent has submitted a statement of financial condition and demonstrated a limited ability to pay. In light of Respondent's financial status, the sanctions do not include a monetary fine.

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 NAC 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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA for legal advice. 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.

3/31/22  
Date

  
Patrick Nicholas Teutonico  
Respondent

Accepted by FINRA:

4/08/2022

\_\_\_\_\_  
Date

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



\_\_\_\_\_  
Jasmine L. Abraham

Counsel

FINRA

Department of Enforcement

15200 Omega Dr.

Rockville, MD 20850

## ATTACHMENT A

Customer A: \$42,092

### Installment Plan

#### 1<sup>st</sup> Installment

Amount: \$21,046

Due: On the 15th day of the month following the notice of acceptance of the AWC.

#### 2<sup>nd</sup> Installment

Amount: \$10,523

Due: Three months from when the 1<sup>st</sup> installment was due.

#### 3<sup>rd</sup> Installment

Amount: \$10,523

Due: Three months from when the 2<sup>nd</sup> installment was due.

#### 4<sup>th</sup> Installment

Amount: Interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from June 30, 2019 until the date this AWC is accepted by the National Adjudicatory Council (NAC)

Due: Three months from when the 3<sup>rd</sup> installment was due.