

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066723301**

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

RE: Teresa Douberly (Respondent)
Former General Securities Principal and General Securities Representative
CRD No. 2477566

Pursuant to FINRA Rule 9216, Respondent Teresa Douberly 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

Douberly first registered with FINRA in 1994. From May 2016 through June 2021, Douberly was registered as a General Securities Principal and General Securities Representative, among other capacities, through an association with Aegis Capital Corp. (CRD No. 15007). On June 4, 2021, Aegis filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that it had terminated Douberly's registration due to a "[c]orporate restructuring."

From June 2021 through June 2022, Douberly was registered as a General Securities Principal and General Securities Representative, among other capacities, through an association with another member firm.

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

OVERVIEW

From July 2017 through December 2018, Douberly failed to reasonably supervise two registered representatives of Aegis (Representatives A and B) who made unsuitable

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

recommendations that 11 customers purchase variable interest rate structured products. As a result, Douberly violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Applicable Rules

FINRA Rule 3110(a) requires each member firm and its supervisory personnel to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and act upon the results of such investigation. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires member firms and their associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

FINRA Rule 2111 requires, in pertinent part, that member firms or 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.” A customer’s investment profile includes, but is not limited to, the customer’s age, other investments, financial situation and needs, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.

B. Variable Interest Rate Structured Products

Variable interest rate structured products (VRSPs) are a category of complex structured products that initially pay interest at a fixed, above-market “teaser” rate for a short period of time, typically one year, before switching to a floating interest rate that is based on a reference index or asset. VRSPs typically have long maturities, generally between 10 and 30 years.

A “steepener” is one type of VRSP that pays a high teaser interest rate, usually between 8% and 10% for the first year, and then resets to a floating interest rate based on the spread between longer- and shorter-term interest rates (*i.e.*, the steepness of the yield curve), commonly the spread between the 30-Year Constant Maturity Swap (CMS) rate and 2-Year CMS rate. Because the spread between longer- and shorter-term interest rates can compress—meaning that the yield curve can flatten—investors holding steepeners can earn little or zero interest for years.

Additionally, there is no guaranteed secondary market for steepeners and thus—as non-conventional investments, which are discussed in FINRA Notice to Member 03-71—the products tend to have less market liquidity, less transparency as to their pricing and value, and may entail significant credit risks. During periods when the yield curve flattens, investors seeking to sell the products before maturity in the secondary market may incur

losses of principal. As an additional risk, certain VRSPs—including all of the VRSPs Representatives A and B recommended to their customers—do not guarantee a return of the investor’s principal at maturity. Therefore, depending on the performance of the underlying reference index or asset, customers could lose some or all of their principal at maturity.

In light of these risks, Aegis’s written supervisory procedures (WSPs) specified that registered representatives should recommend VRSPs only to customers who had high risk tolerances and aggressive or speculative investment objectives. The WSPs further required that a principal at the firm review the suitability of recommendations to purchase VRSPs and complete an attestation form certifying that each recommendation was suitable for a customer in light of the customer’s liquidity needs, risk tolerances, and investment objectives.

C. Douberly failed to reasonably supervise recommendations to purchase VRSPs

Douberly was the designated principal responsible for supervising the registered representatives assigned to Aegis’s Boca Raton, Florida branch office, where Representatives A and B worked. From July 2017 through December 2018, Representatives A and B recommended that 11 customers with low or moderate risk tolerances, or investment objectives other than aggressive or speculation, purchase VRSPs, including steepeners. Douberly, who was responsible for reviewing Aegis’s trade blotter, was aware that Representatives A and B recommended VRSPs, including steepeners, to the 11 customers. Nonetheless, Douberly did not take any steps to confirm whether the recommendations were suitable, such as reviewing the customers’ investment objectives and risk tolerances or speaking with the customers to confirm they understood the risks of the VRSPs. Nor did Douberly complete an attestation form certifying that she reviewed the recommendations and confirmed they were suitable in light of the customers’ risk tolerances and investment objectives. In fact, the recommendations were not suitable for the 11 customers given their investment objectives and risk tolerances. The customers suffered significant realized losses as a result of their VRSP positions, even after accounting for the income they earned from the investments.

Douberly therefore violated FINRA Rules 3110 and 2010.

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

- a four-month suspension from associating with any FINRA member in all principal capacities;
- a \$5,000 fine; and
- a requirement that within 60 days of the Notice of Acceptance of this AWC, Douberly will attend and satisfactorily complete 20 hours of continuing education concerning supervisory responsibilities by a provider not unacceptable to FINRA. Douberly will notify Amanda Fein, Principal Counsel, of the name and contact

information of the provider who is providing the continuing education at least 10 days prior to attending the training. Within 30 days following the completion of the 20 hours of continuing education, Douberly will submit written proof that the continuing education program has been satisfactorily completed to Amanda Fein by email to Amanda.Fein@finra.org. All correspondence must identify the respondent and matter number.

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 after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member in a principal capacity, she 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, Respondent may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if she remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 her;
- 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

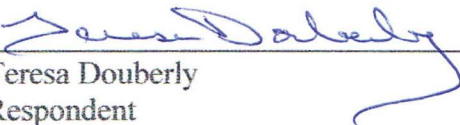
Respondent understands that:

- 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 she 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 she 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 her 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 her to submit this AWC.

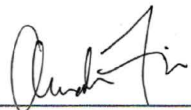
10-12-2022
Date


Teresa Douberly
Respondent

Accepted by FINRA:

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

October 26, 2022
Date


Amanda E. Fein
Principal Counsel
FINRA
Department of Enforcement
99 High St., 9th Floor
Boston, MA 02110