

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068693101**

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

RE: Victor A. Morales (Respondent)
Former General Securities Representative
CRD No. 6552148

Pursuant to FINRA Rule 9216, Respondent Victor A. Morales 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

Morales first registered with FINRA in 2015 as an Investment Company and Variable Contracts Products Representative through an association with Wells Fargo Clearing Services, LLC (CRD No. 19616). On January 11, 2017, Morales also became registered through Wells Fargo as a General Securities Representative.

On November 18, 2020, Wells Fargo filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Morales “was terminated after being questioned about his receipt of [Small Business Administration] business assistance payments.”

Morales is not currently registered or associated with any FINRA member firm. However, he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-Laws.¹

OVERVIEW

Between November 2019 and October 2020, Morales engaged in an undisclosed outside business activity without providing prior written notice to his firm. As a result, Morales violated FINRA Rules 3270 and 2010.

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

In addition, in July 2020, Morales made negligent misrepresentations in a loan application and loan agreement he submitted to the Small Business Administration (SBA) to obtain an Economic Injury Disaster Loan. Morales thereby violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's investigation concerning the Form U5 filed by Wells Fargo.

Morales engaged in an undisclosed outside business activity.

FINRA Rule 3270 provides that:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

A violation of FINRA Rule 3270 also constitutes a violation of FINRA Rule 2010, which requires that members and associated persons "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

From November 2019 until October 2020, while registered through Wells Fargo, Morales owned a towing and transportation business. Morales operated the business as a sole proprietorship and received compensation from the business.

The above-described business activity was outside the scope of Morales' relationship with Wells Fargo. Morales did not provide prior notice to Wells Fargo, written or otherwise, of his involvement in the outside business activity. On the contrary, from 2019 through 2020, Morales falsely attested in annual compliance questionnaires provided to Wells Fargo that he had not engaged in any unapproved outside business activities.

Therefore, Morales violated FINRA Rules 3270 and 2010.

Morales made negligent misrepresentations in a loan application and agreement submitted to the SBA.

As noted above, FINRA Rule 2010 requires associated persons in the conduct of their business to "observe high standards of commercial honor and just and equitable principles of trade." Making a negligent misrepresentation of a material fact in connection with business-related activities is a violation of FINRA Rule 2010, which encompasses any unethical, business-related misconduct, regardless of whether it involves a security.

In 2020, the federal government initiated several programs to assist small businesses adversely impacted by the COVID-19 pandemic, including the Economic Injury Disaster Loan program, which was administered by the SBA. On July 8, 2020, Morales applied to the SBA for an Economic Injury Disaster Loan on behalf of his transport business, but he failed to carefully review the loan application before submitting it. Morales, then a registered representative of Wells Fargo, negligently overstated in his application the amount of gross revenue his transport business had generated for the period of January 31, 2019, to January 31, 2020.

Based on Morales's misrepresentation, the SBA approved his loan application, and separately approved Morales for an advance payment. On July 9, 2020, before he received the loan and advance, Morales signed a loan agreement with the SBA, affirming that the representations in his loan application were correct. Morales did not review the information he had provided in the loan application prior to certifying its accuracy. On July 14, 2020, the SBA provided Morales with a \$16,500 loan and \$10,000 advance (both of which Morales repaid in full in August 2021).

Therefore, Morales violated FINRA Rule 2010.

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

- a three-month suspension from associating with any FINRA member in all capacities; and
- a \$5,000 fine.

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 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

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.

