

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021071850601**

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

RE: Gordon Scott Wallace (Respondent)
General Securities Representative
CRD No. 1905279

Pursuant to FINRA Rule 9216, Respondent Gordon Scott Wallace 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

Wallace first registered with FINRA in 1988. From June 1989 until July 2021, Wallace was registered as a General Securities Representative through an association with Merrill Lynch, Pierce, Fenner & Smith Inc. (CRD No. 7691). On July 1, 2021, Merrill Lynch filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that Wallace had resigned while under “[i]nternal review to determine if the registered representative utilized a personal electronic device to photograph confidential client information.”

Since June 3, 2021, Wallace has been registered with FINRA as a General Securities Representative through another FINRA member firm.¹

OVERVIEW

In anticipation of joining another FINRA member firm, Wallace improperly removed nonpublic personal customer information from Merrill Lynch without Merrill Lynch or the customers’ consent. Wallace improperly retained the information following his resignation from Merrill Lynch. As a result, he violated FINRA Rule 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the Form U5 filed by Merrill Lynch.

FINRA Rule 2010 requires registered persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. Registered persons have a duty to maintain the confidentiality of customers' nonpublic personal information, and breaching this duty is a violation of FINRA Rule 2010.

Customers' nonpublic information, including dates of birth, social security and driver's license numbers, account numbers, and tax information, is protected under Regulation S-P. In addition, Wallace's employment agreement with Merrill Lynch required him to preserve the confidentiality of nonpublic customer information and to refrain from taking and disclosing such information upon termination of their employment.

In May 2021, in anticipation of joining another FINRA member firm, Wallace improperly removed his customers' nonpublic personal information from Merrill Lynch, without the firm's or the customers' consent. Specifically, between May 29 and May 31, while associated with Merrill Lynch, Wallace took photographs of account information for approximately 35 customers contained within Merrill Lynch's electronic systems, including customer names, dates of birth, customer account numbers, and social security numbers. In addition, during the same period, Wallace directed junior members of his brokerage team to also photograph account information contained within Merrill Lynch's systems, including nonpublic personal information of at least 100 customers. Following Wallace's resignation from Merrill Lynch on June 3, 2021, Wallace and members of his brokerage team improperly retained the customers' nonpublic personal information. That information was secured by the firm through which Wallace had become registered, and the firm returned the customers' nonpublic personal information to Merrill Lynch prior to its use.

Therefore, Wallace violated FINRA Rule 2010.

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

- A ten-business day suspension from associating with any FINRA member in all capacities; and
- a \$5,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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
- 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.

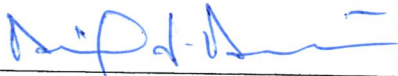
3-30-23

Date



Gordon Scott Wallace
Respondent

Reviewed by:



Daniel J. Donovan
Counsel for Respondent
Donovan & Rainie, LLC
One South Street Suite 1120
Baltimore, Maryland 21202

Accepted by FINRA:

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

4-11-23

Date

Michael Newman

Michael Newman
Senior Counsel
FINRA
Department of Enforcement
581 Main St., Suite 710
Woodbridge, NJ 07095