

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022077202301**

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

RE: Katelyn Rae Cordido Reese (Respondent)
Former Investment Company and Variable Contracts Products Representative
CRD No. 6516916

Pursuant to FINRA Rule 9216, Respondent Katelyn Rae Cordido Reese 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

Reese first became associated with FINRA as an Investment Company and Variable Contracts Products Representative in October 2016 through an association with NYLife Securities LLC (CRD No. 5167). On January 4, 2023, NYLife filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Reese had voluntarily resigned “during a review of allegations that she paid life insurance premiums for several clients using her personal bank account.” On the same day, another FINRA member firm filed a Form NRF (Non-Registered Fingerprint) disclosing Reese’s association with the firm in an unregistered capacity. On January 19, 2023, this same firm filed an amended Form NRF terminating Reese’s association.

Although Reese is no longer registered or associated with a FINRA member firm, she remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-laws.¹

OVERVIEW

Between January 1, 2022, and December 2, 2022, while working both as a registered representative for NYLife and as an insurance agent for New York Life Insurance Co., Reese falsified documents by placing her personal bank account information on life

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

insurance applications for non-family-member customers. As a result, in 95 instances, Reese made premium payments for these customers using funds from her personal bank account, in violation of both NYLife and New York Life Insurance policies. In turn, these premium payments caused New York Life Insurance to pay Reese advanced sales commissions, which exceeded the value of the premium payments. Based on the foregoing, Reese violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 requires members and associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

Falsification occurs when a person creates a document or entry in a firm’s system that creates a false appearance by including altered or untrue information. Falsification is a violation of FINRA Rule 2010. Acting inconsistently with policies and procedures designed to protect customers is also a violation of FINRA Rule 2010.

NYLIFE and New York Life Insurance both had policies and procedures that prohibited representatives and agents from making premium payments for non-family-member customers. These policies and procedures were designed to ensure that representatives and agents did not cause customers to maintain policies for the benefit of the representative or agent rather than the customer. During the relevant period, Reese attested on two annual compliance questionnaires that she understood and would comply with all policies and procedures.

From January 2022 through December 2022, Reese submitted multiple life insurance applications that contained accurate customer information, except that Reese input her personal checking account number rather than the customer’s account number on the electronic funds transfer form, creating the false appearance that Reese’s own bank account number was the customer’s bank account number. As a result, in 95 instances, Reese paid a total of \$30,366.80 in life insurance premiums for non-family-member customers. Once Reese paid the initial premium on these policies, she received advanced sales commissions from New York Life Insurance.

Ultimately, either New York Life Insurance or the customers canceled most of these policies.² When Reese resigned from NYLife and New York Life Insurance, she owed a balance to New York Life Insurance of approximately \$144,000, comprised primarily of advanced sales commissions for these canceled policies. Reese has since entered into a payment plan with New York Life Insurance’s collection department to pay back the money she owes.

² In certain cases, the customers chose to keep the policies, but changed the method of payment to their personal bank account.

By falsifying life insurance applications and violating a firm policy designed to protect customers, Reese violated FINRA Rule 2010.

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

- a 16-month suspension from associating with any FINRA member in all capacities; and
- a fine of \$5,000.

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, 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, she 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 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.

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 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.

6/12/24
Date

Katelyn Rae Cordido Reese
Katelyn Rae Cordido-Reese
Respondent

Reviewed by:

[Signature]
Robert Fitzgerald
Counsel for Respondent
Buchanan Ingersoll & Rooney PC
Two Liberty Place
50 S. 16th Street, Suite 3200
Philadelphia, PA 19102

Accepted by FINRA:

June 25, 2024
Date

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

[Signature]
Kathryn S. Gostinger
Senior Counsel
FINRA
Department of Enforcement
55 W. Monroe, Suite 2700
Chicago, IL 60603