UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98418 / September 18, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21669

In the Matter of **PIERRE ECONOMACOS,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Pierre Economacos ("Economacos" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

This matter arises from the failure of Pierre Economacos, a registered representative at a registered broker-dealer (the "Firm"), to report to the Firm's anti-money laundering ("AML") group suspicious and unusual transactions in a brokerage account of his long-time customer (the "Customer") that surrounded the announcement of the acquisition of the company where the Customer's close family member was an executive (the "Executive").

Between 2011 and 2021, Economacos was the registered representative for a brokerage account held by the Customer and brokerage accounts held by the Executive. From 2016 to 2021, these accounts were held at the Firm. In 2019, Economacos complied with a request from the Customer to make a $50,000 wire transfer to the Customer's close relative (the "Relative"), who was Economacos's friend but not a Firm customer. The Relative was also a close family member of the Executive. The wire transfer was made from the Customer's Firm account to the Relative's brokerage account at another firm (the "Initial Wire") purportedly because the Relative needed the funds for a real estate transaction. Three days after the Initial Wire, the company where the Executive worked (the "Company") announced that it would be acquired (the "Announcement Date"), and its stock price increased by approximately 30%. Economacos knew the Executive worked at the Company and Economacos learned of the acquisition on the Announcement Date.

One day after the Announcement Date, the Relative wired $50,000 (an amount equal to the Initial Wire) back to the Customer's Firm account from the Relative's brokerage account. The next day, the Relative sent another $50,000 wire from the Relative's brokerage account to the Customer's Firm account. Five days later, the Relative sent two additional wires each in the amount of $90,000 from brokerage accounts the Relative controlled in the names of two immediate family members. These wire transactions, which closely surrounded the acquisition announcement of the company where the Executive worked, were unusual in the context of the Customer's account history for a number of reasons. For example, while the Customer had previously sent wire transfers to the Relative, the Customer had never sent any money to a brokerage account owned by the Relative, had no history of incoming wires since the accounts were opened at the Firm, and had never received any money from the Relative's immediate family members who were students at the time of the wires.

Economacos understood and agreed to abide by the Firm's AML and ethics policies, which emphasized that the Firm's registered representatives are the "first line of defense" with respect to detecting and reporting suspicious activity in customer accounts. These policies required registered representatives, including Economacos, to escalate "red flags" or unusual account activity to the Firm's AML group so that AML investigators could review the activity to determine whether the Firm should report the transactions to the appropriate authorities, such as by filing a Suspicious Activity Report ("SAR"). Nevertheless, Economacos failed to inform the Firm's AML group of the above wire transactions surrounding the acquisition announcement, which caused the Firm to fail to timely file a SAR regarding the activity in violation of Exchange Act Section 17(a) and Rule 17a-8 thereunder.

Respondent

1. **Pierre Economacos** is 55 years old and resides in Miami, Florida. Economacos has 34 years of experience in the brokerage industry, and has been a registered representative at the Firm since September 2016. Economacos holds Series 3, 7, 10, 63, and 65 licenses. The Customer and the Executive were customers of Economacos between 2011 and 2021. Economacos has no prior disciplinary history.

Relevant Entities

2. **The Firm** has been registered with the Commission as a broker-dealer since 1962 and as an investment adviser since 1974.

3. **The Company** was a publicly-traded company with common stock listed on the NASDAQ Global Select Market and options traded on the Chicago Board Options Exchange. The Company announced that it would be acquired in 2019.

Facts

4. Economacos has known the Relative for more than 15 years and maintained a friendly and social relationship with the Relative during the relevant period. The Relative has never been a customer or client of the Firm or Economacos.

5. More than 10 years ago, the Relative introduced the Customer and the Executive to Economacos as prospective customers. Economacos served as the registered representative for brokerage accounts of the Customer and the Executive between 2011 and 2021. From 2016 to 2021, these accounts were held at the Firm, and from 2011 to 2016 they were held at a different brokerage firm where Economacos had been employed. During the relevant period, Economacos and his team earned fees from the brokerage accounts associated with the Customer and the Executive, which had millions of dollars in assets.

6. Since 2011, the Customer had used the Customer's brokerage account and margin account at both the Firm and prior brokerage firm that held the accounts to make several hundred thousand dollars of loans to the Relative. The Relative did not make any payments to reduce the loan balance until after the Announcement Date in 2019.

7. At all relevant times, Economacos knew that the Executive was a senior employee at the Company and a close family member of the Relative and the Customer.

<u>The Firm's AML and Ethics Policies</u>

8. Economacos knew or should have known that he was required under the Firm's AML policies and Code of Business Conduct and Ethics ("Code of Ethics") to report suspicious activity in customer accounts to the Firm's AML group. Since Economacos became a registered

representative at the Firm in September 2016, Economacos annually acknowledged to the Firm that he read, understood, and agreed to abide by these policies.

9. The Firm's AML policies emphasized that registered representatives such as Economacos are the "first line of defense" in identifying and reporting suspicious activity in customer accounts. The Firm's AML policies provided that registered representatives should "not ignore . . . warning signs of unusual activity" and be "alert to and report[] suspicious activity," including "red flag indications that a [c]lient may be seeking to engage in a . . . [t]ransaction for an unlawful purpose." The Firm's AML policies also required registered representatives to "escalate red flags or unusual activity to the []AML group" and that "investigators will review all referred activity to determine whether it is necessary to file a report with the appropriate authorities and/or take other appropriate measures." Moreover, the Firm's Code of Ethics required registered representatives, including Economacos, to comply with the Firm's AML policies, "promptly report[] suspicious activity," and "[n]ever ignor[e] any indications that a client may be seeking to engage in a relationship or transaction for an unlawful purpose."

10. Since at least October 2017, Economacos received a copy of or had access to the Firm's AML "red flags" list, which described dozens of scenarios involving potentially suspicious activities. These "red flags" included the following:

- a sudden change in activity compared to historical account activity;
- rapid movement of money into and/or out of the account;
- transactions conducted within a short period of time;
- multiple transactions for large, round dollar amounts;
- transactions in close proximity to public media announcements that trigger a large increase in an issuer's stock price; and
- a customer is known to have friends or family who work for a securities issuer pertinent to the suspicious transactions.

11. Economacos also received trainings at least once a year at the Firm regarding AML policies and the Code of Ethics. These trainings similarly emphasized a registered representative's responsibilities to "understand the significance and importance of their role and functions" regarding the detection and reporting of suspicious activity to the Firm's AML group and provided examples of transactions that were "red flags" similar to those described above. Economacos received both AML and ethics trainings in 2019 weeks before the relevant transactions described below.

The Suspicious Transactions and Acquisition Announcement

12. Four days before the Company announced that it would be acquired, Economacos spoke with the Customer and the Relative several times by telephone regarding a loan that the Relative wanted the Customer to wire from one of the Customer's Firm accounts to a brokerage account owned by the Relative at another firm. The Relative expressed urgency for the wire to be sent, purportedly because the Relative needed the funds for a real estate transaction, and followed up with Economacos and his team when the Customer had not received the necessary papers to

authorize the wire later that afternoon. The Customer later completed the papers and the Initial Wire was sent to the Relative's brokerage account the following day.

13. On the Announcement Date, the Company's stock price increased by approximately 30%. Economacos learned about the Company's acquisition on the Announcement Date.

14. A day after the Announcement Date, Economacos alerted his team that the Relative would "send funds back" to the Customer's Firm account. Within seven days after the Announcement date, the Relative wired almost six times the amount of the Initial Wire he had received to the Customer's Firm account to repay the money that the Customer had loaned the Relative from the Customer's brokerage and margin accounts, as follows:

- One day after the Announcement Date: $50,000 wire from the Relative's brokerage account;
- Two days after the Announcement Date: $50,000 wire from the Relative's brokerage account; and
- Seven days after the Announcement Date: two wires each in the amount of $90,000 from brokerage accounts the Relative controlled at the other brokerage firm in the names of two immediate family members.

Immediately after the Customer's Firm account received the final two wires, the Customer instructed Economacos's team to pay down the Customer's margin account by approximately 60%.

15. The above transactions, which closely surrounded the acquisition announcement of the Company, were unusual and inconsistent in several respects with the transactions that typically occurred in the Customer's brokerage and margin accounts since Economacos began to serve as the accounts' registered representative in 2011. First, the Customer had no history of incoming wires since the accounts were opened at the Firm. Second, while the Customer had sent funds to the Relative's bank account since 2011 when the Customer's brokerage accounts were at the Firm and prior brokerage firm, the Customer had never sent funds to a brokerage account owned by the Relative. Third, the Relative had never paid back to the Customer any money that the Relative had borrowed from the Customer's brokerage and margin accounts since 2011 when the Customer's brokerage accounts were at the Firm and prior brokerage firm. Fourth, the Relative's two immediate family members, who were students when the wires occurred, had never sent money to any of the Customer's brokerage accounts.

16. Economacos was aware of all the wires sent between the Customer's Firm account and the Relative's and his two immediate family members' brokerage accounts at or near the time they were made. Economacos knew or should have known that the rapid movement of large, round sums of money between the Customer's and the Relative's and his two immediate family members' brokerage accounts was unusual, particularly because the wires closely surrounded the announcement of the acquisition of the Company, where the Executive worked.

Economacos's Failure to Report Suspicious Activity in the Customer's Account Was a Cause of the Firm's Failure to Timely File a SAR

17. Pursuant to the Firm's AML policies and trainings, Economacos knew or should have known that he was required to inform the Firm's AML group of the wires between the Customer and the Relative and his two immediate family members that surrounded the Company's acquisition announcement as potentially suspicious activity for further review soon after the transactions occurred.

18. Despite his 34 years of experience in the financial industry, acknowledgment of the Firm's AML policies and Code of Ethics, and numerous AML related trainings, Economacos did not inform the Firm's AML group of the wire activity described above. These wires met numerous indicia of "red flag" transactions that had been highlighted to Economacos in the Firm's AML policies and trainings. Specifically, the amount of incoming wire activity was a sudden and abnormal change for the Customer's account, occurred within a short period of time in multiple large, round dollar amounts, and occurred in close proximity to the announcement of the acquisition of the Company where the Executive worked, triggering a large increase in the Company's stock price.

19. Moreover, when Economacos was asked about the above wire transactions by a Firm AML analyst during a routine Customer account review four months after the transactions occurred, Economacos indicated that the transactions were not unusual for the account because the loan was consistent with other loans the Customer made to the Relative in the past. However, although Economacos explained that two wires were received from the Relative's immediate family members' accounts and that the wires were sent to reimburse the Customer for loans previously made, Economacos did not inform the AML analyst of the unusual characteristics of the transactions when compared with the Customer's account history or that they surrounded the announcement of the acquisition of the Company where the Executive worked. It was not until a month later, when Economacos received a second AML inquiry regarding the announcement of the acquisition of the Company that he provided additional information to the Firm's AML group.

20. Economacos's failure to inform the Firm's AML group of the wire transactions surrounding the Company's acquisition announcement caused the Firm to fail to timely file a SAR regarding the activity.

Violations

21. The Bank Secrecy Act ("BSA"), and implementing regulations promulgated by the Financial Crimes Enforcement Network ("FinCEN"), require that broker-dealers file SARs with FinCEN to report a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least $5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is conducted to disguise funds derived from illegal activities; (2) is designed

to evade any requirement of the BSA; (3) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) (the "SAR Rule"). Broker-dealers are required to file the SAR 30 calendar days after the date of the initial detection of facts that may constitute a basis for filing a SAR under the SAR Rule. 31 C.F.R. § 1023.320(b)(3). In cases where the broker-dealer cannot identify a suspect, it must file the SAR within 60 days of the initial detection of facts that may constitute a basis for filing a SAR. *Id.*

22. Exchange Act Rule 17a-8 requires broker-dealers registered with the Commission to comply with the reporting, record-keeping, and record retention requirements of the BSA. The failure to timely file a SAR as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

23. By engaging in the conduct described above, Economacos was a cause of the Firm's violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. Negligence is sufficient to establish liability for causing a primary violation that does not require scienter. *In the Matter of KPMG Peat Marwick LLP*, Admin. Proc. No. 3-9500 (2001).

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Economacos cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

B. Economacos shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $20,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Pierre Economacos as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to John P. Mogg, Senior Counsel, Securities and Exchange Commission, Division of Enforcement, San Francisco Regional Office, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary