

UNITED STATES OF AMERICA
before the
SECURITIES EXCHANGE COMMISSION

In the Matter of the Application of

PAUL H. GILES, CRD# 2041288

In Support of Application for Review
Of FINRA's Statutory Disqualification

**AMENDED ADDITIONAL BRIEFING IN SUPPORT
OF APPLICATION FOR REVIEW**

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INTRODUCTION

Mr. Giles is working with FINRA and state insurance departments to re-obtain the various insurance lines of authority he previously held, which would result in FINRA removing the statutory disqualification. However, Mr. Giles remains statutorily disqualified at this time and as a result his Application for Review is not moot.

FINRA's decision to statutorily disqualify Paul Giles was initially based on a Decision and Order of Revocation filed by the California Department of Insurance 11+ years ago that revoked Mr. Giles' insurance license in California for not responding to the state regarding tax liens (the "California Default Order"). On May 6, 2021, FINRA provided notice that Mr. Giles was subject to "two **additional** disqualifying events" (emphasis added). The notice added two orders to support FINRA's already existing determination that Mr. Giles is statutory disqualified; the Order Revoking License filed by the Commonwealth of Kentucky Department of Insurance (the "Kentucky Order") and the Order Revoking License filed by the State of Washington Office of Insurance Commissioner (the "Washington Order"). Communication from FINRA and subsequent briefing made it clear that Mr. Giles' Application for Review to the SEC encompassed all three of the license revocations, as the application is focused on the legal question of whether an insurance license "revocation" is equivalent to a "bar."

Mr. Giles is currently licensed to conduct insurance business in every state where his license was previously revoked. However, FINRA is taking the position that Mr. Giles must be approved for every line of authority that he previously held in each of the states where his licenses were revoked (regardless whether he intends to use such lines). Accordingly, Mr. Giles has applied for and re-obtained all his previously held lines of authority in Washington and California. With

FINRA's assistance, Mr. Giles is currently in the process of re-obtaining a Variable Annuity line of authority in Kentucky.

Yet even if Mr. Giles' statutory disqualification is removed by virtue of his re-obtaining insurance lines of authority in California, Washington, and (hopefully soon) Kentucky, FINRA will still require Mr. Giles to update his Uniform Application for Securities Industry Registration or Transfer ("Form U4") to disclose the insurance license revocations as "bars." From the beginning, Mr. Giles has argued that FINRA's Form U4 (Uniform Application for Securities Industry Registration or Transfer) distinguishes between bars and revocations.¹ Regardless of whether Mr. Giles' statutory disqualification is removed, FINRA will continue to inaccurately interpret insurance license revocations as "bars" that require a corresponding Form U4 disclosure. Mr. Giles has a concrete interest in whether he is required to disclose (and mischaracterize) the insurance license revocations that are the subject of this Application for Review as a "bar" on his Form U4.

ARGUMENT

I. The subject of this Application for Review includes the revocation of Mr. Giles' insurance licenses in California, Kentucky, and Washington.

Mr. Giles' Application for Review addresses FINRA's determination that he is statutorily disqualified. Since Mr. Giles is still statutorily disqualified the application cannot be moot. FINRA contends that Mr. Giles is statutorily disqualified based on the revocation of his insurance licenses in California, Kentucky, and Washington. Mr. Giles previously provided briefing on why the Application for Review encompasses each of these revocations, not just the California Default Order.² Mr. Giles' position remains unchanged. Although Mr. Giles is licensed to conduct

¹ See Paul Giles Application for Review of Action Taken by FINRA filed on April 4, 2021.

² See Paul Giles Additional Brief in Support of Application for Review filed on September 27, 2021.

insurance business in every state where his license was revoked, FINRA will not remove the statutory disqualification until he is approved for a Variable Annuity line of authority in Kentucky. Since the Application for Review encompasses the Kentucky Order, the Application for Review cannot be moot.

II. Mr. Giles relied on FINRA’s assurances that his statutory disqualification would be removed when he reapplied for his Accident & Health line of authority in California.

On September 1, 2021, undersigned counsel informed FINRA that Mr. Giles’ applications for his insurance producer licenses were approved in California, Kentucky, and Washington. As of that date, Mr. Giles was permitted to engage in insurance business in every state where his license was previously revoked. Therefore, Mr. Giles *should* no longer be statutorily disqualified. However, FINRA is taking the position that Mr. Giles is still subject to statutory disqualification because he did not reapply for every line of authority that he previously held. Specifically, FINRA contends that Mr. Giles was required to re-obtain his Accident and Health line of authority in California and Variable Annuity line of authority in Kentucky.

FINRA’s position presented Mr. Giles with a “Catch 22” because, according to the Kentucky Department of Insurance, an active broker registration via association with a broker dealer is a precondition to obtaining a Variable Annuity line of authority. Yet Mr. Giles could not have an active broker registration because FINRA inaccurately determined that he is statutorily disqualified. Mr. Giles previously submitted briefing on this “Catch 22.”³

In recognition of the “Catch 22” dilemma, FINRA agreed to coordinate with the Kentucky Department of Insurance so that Mr. Giles can obtain a Variable Annuity line of authority contemporaneous with FINRA permitting Mr. Giles to associate with a broker dealer. FINRA’s

³ See Paul Giles Additional Brief in Support of Application for Review, Section III, filed on September 27, 2021.

coordination was conditioned on Mr. Giles first obtaining his Accident and Health line of authority in California, which Mr. Giles did.

Mr. Giles is currently in the process of obtaining his Variable Annuity line of authority in Kentucky consistent with the process laid out by FINRA. The process includes Mr. Giles also working with the Michigan Department of Insurance and Financial Services to obtain a Variable Annuity in Michigan, Mr. Giles' home state. This process is still underway. It would be unjust to dismiss Mr. Giles' Application for Review as moot based only on Mr. Giles obtaining his Accident & Health line of authority in California. Obtaining the line of authority in California is just part of the broader plan for FINRA to remove Mr. Giles' statutory disqualification. At a minimum, Mr. Giles' Application for Review should remain pending if and until the statutory disqualification is removed due to Mr. Giles obtaining all the insurance lines of authority FINRA insists he obtain.

III. FINRA's inaccurate determination that the insurance license revocations are a "bar" will have a lasting effect on Mr. Giles' Form U4.

Mr. Giles has a concrete interest in the disclosures on his Form U4. Even if Mr. Giles obtains all his previously issued insurance lines of authority and FINRA removes the statutory disqualification, FINRA will still require Mr. Giles to disclose the revocations as a "bar" on his Form U4. Mr. Giles' Form U4 disclosures are available to current and prospective employers. In Mr. Giles' initial Application for Review, Mr. Giles raised the issue that the plain language of the Exchange Act and FINRA's Form U4 distinguish between the terms "revocation" and "bar."⁴ The serious legal question before the SEC in this application is whether the revocation of an insurance license is equivalent to a bar where the licensee has the right to reapply for the license. Even if FINRA removes the statutory disqualification based on Mr. Giles' ability to engage in insurance

⁴ See Mr. Giles' Application for Review filed on April 21, 2021, page 2.

business in California, Kentucky, and Washington, FINRA will require Mr. Giles to respond “Yes” to question 14D(2) on FINRA’s Form U4, which asks

Have you been subject to any final order or a . . . state insurance commission that, (a) bars you from association with an entity regulated by such commission, authority, agency, or officer, or from engaging in the business of securities, insurance, banking, savings association activities, or credit union activities[.]

The SEC’s decision in this matter has the ability to provide a remedy to Mr. Giles. Otherwise, his Form U4 will continue to inaccurately portray the revocations of his insurance licenses to employers as “bars.”

IV. Conclusion

For the foregoing reasons, Mr. Giles respectfully requests that the Commission proceed with rendering an opinion on the Application for Review of Mr. Giles’ statutory disqualification, including a review of the current status of such statutory disqualification where Mr. Giles has been approved to engage in insurance business in all states where he had a revocation, but has not yet obtained all previously issued lines of authority.

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May 16, 2022

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished to the following via the email and the SEC portal this 16th day of May 2022:

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