

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934  
Release No. 103180 / June 4, 2025

Admin. Proc. File No. 3-21915

In the Matter of the Application of  
  
CHARLES SCOTT BURFORD  
  
For Review of Disciplinary Action Taken by  
  
FINRA

OPINION OF THE COMMISSION

REGISTERED SECURITIES ASSOCIATION – REVIEW OF DISCIPLINARY  
PROCEEDING

Person formerly associated with FINRA member firm appeals from FINRA disciplinary action finding that he effected unauthorized transactions in deceased customer's account, suspending him for six months, and imposing a \$10,000 fine. *Held*, FINRA's findings of violations and imposition of sanctions are *sustained*.

APPEARANCES:

*Charles Scott Burford, pro se.*

*Megan Rauch* for FINRA.

Appeal filed: April 12, 2024  
Last brief received: July 26, 2024

Charles Scott Burford—formerly associated with FINRA member firm Hilltop Securities Independent Network, Inc. (“Hilltop”)—seeks review of FINRA disciplinary action.<sup>1</sup> FINRA found that Burford violated FINRA Rule 2010 by effecting unauthorized transactions in his deceased customer’s account. For this violation, FINRA suspended Burford for six months and imposed a \$10,000 fine.<sup>2</sup> We sustain FINRA’s findings of violations and imposition of sanctions.

## I. Background

Burford joined the securities industry in 1976. From February 1995 to November 2019, he was associated with Hilltop as a registered representative. As relevant here, Hilltop’s written supervisory procedures required that, upon a customer’s death, registered representatives must immediately notify the firm of the death, accept no further orders, and decline to authorize withdrawals from the decedent’s account until distribution was determined and the firm received “necessary documents” (*i.e.*, a death certificate, letters testamentary, and an affidavit of domicile).

Burford previously followed these procedures several times when his customers died. But when Burford’s customer, LR, died on October 6, 2016, Burford did not immediately notify Hilltop or deem LR’s account “frozen,” as the firm’s policies required. Instead, over the next fourteen months, Burford (without informing Hilltop) executed five trades in LR’s brokerage account and facilitated three transfers from the account to LR’s widow, PR, who asked Burford to execute these transactions.

On December 21, 2017, Burford submitted LR’s death certificate to Hilltop so that PR could take the required minimum distribution from LR’s retirement account by year’s end.<sup>3</sup> Burford admitted during his disciplinary hearing that he had “likely” waited fourteen months to submit the death certificate because he did not want the firm to discover his transactions in LR’s brokerage account. Burford also continued to execute trades in LR’s brokerage account and to facilitate transfers to PR from that account—all still without informing Hilltop. In all, Burford, at PR’s request, executed nine trades totaling nearly \$130,000 and facilitated eight withdrawals totaling nearly \$85,000.

In January 2019, after learning that LR’s daughter, AD, intended to contest LR’s will, Burford asked Hilltop to freeze LR’s brokerage account. Burford did not, however, notify the firm about the transactions he had already made in LR’s account. In October 2019, AD’s attorney informed Burford that AD had challenged the will in Texas probate court and warned him that Hilltop could be liable for the distributions from LR’s brokerage account.<sup>4</sup> Burford

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<sup>1</sup> *Dep’t of Enf’t v. Burford*, Complaint No. 2019064656601, 2024 WL 1652502 (NAC Mar. 14, 2024).

<sup>2</sup> FINRA also ordered Burford to pay costs, and he has not challenged that order.

<sup>3</sup> PR was the named beneficiary of LR’s retirement account.

<sup>4</sup> Pursuant to a settlement agreement, AD eventually received the funds in LR’s account that Burford had not previously distributed to PR.

subsequently informed Hilltop about his transactions in the account. Following an investigation, the firm terminated its association with Burford in November 2019.

In September 2021, FINRA's Department of Enforcement filed a complaint against Burford, alleging that, from October 2016 to January 2019, he violated FINRA Rule 2010 by effecting unauthorized trades in, and withdrawals from, LR's brokerage account. After holding a one-day hearing, a FINRA hearing panel issued a decision in July 2022, finding that Burford had engaged in the alleged misconduct. For these violations, the panel imposed a six-month suspension in all capacities and a \$10,000 fine.

Burford appealed that decision to FINRA's National Adjudicatory Council, which affirmed the panel's decision. This appeal to the Commission followed.

## II. Analysis

We review FINRA disciplinary action to determine (1) whether an applicant engaged in the conduct FINRA found; (2) whether that conduct violated the provisions specified in FINRA's determination; and (3) whether those provisions are, and were applied in a manner, consistent with the purposes of the Securities Exchange Act of 1934.<sup>5</sup> Our review is *de novo* and we apply a preponderance of the evidence standard.<sup>6</sup>

Burford's conduct plainly violated FINRA Rule 2010. That rule requires members and associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."<sup>7</sup> The Commission has long held that unauthorized transactions are a serious breach of this duty, because unauthorized trades go to the heart of a securities professional's trustworthiness.<sup>8</sup> Misconduct of this sort "is a fundamental betrayal of the duty owed by a sales[person] to his [or her] customers."<sup>9</sup> Burford failed to comply with these standards by repeatedly engaging in transactions in a deceased customer's account, for several years, in direct contravention of his firm's written supervisory procedures.

Burford admits that he "knew that [he] was not in compliance with" Hilltop's procedures. He nevertheless argues that his actions were "legal" because, he asserts, the brokerage account

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<sup>5</sup> 15 U.S.C. § 78s(e)(1).

<sup>6</sup> *Richard G. Cody*, Exchange Act Release No. 64565, 2011 WL 2098202, at \*1, 9 (May 27, 2011), *aff'd*, 693 F.3d 251 (1st Cir. 2012).

<sup>7</sup> FINRA Rule 2010; *see also* FINRA Rule 0140(a) (providing that FINRA's rules "shall apply to all members and persons associated with a member" and that "[p]ersons associated with a member shall have the same duties and obligations as a member under the Rules").

<sup>8</sup> *E.g.*, *William J. Murphy*, Exchange Act Release No. 69923, 2013 WL 3327752, at \*9 (July 2, 2013), *petition denied*, 751 F.3d 472 (7th Cir. 2014); *Wanda P. Sears*, Exchange Act Release No. 58075, 2008 WL 2597567, at \*2 (July 1, 2008).

<sup>9</sup> *E.g.*, *Janet Gurley Katz*, Exchange Act Release No. 61449, 2010 WL 358737, at \*22 (Feb. 1, 2010), *petition denied*, 647 F.3d 1156 (D.C. Cir. 2010).

was “legally” PR’s after LR’s death. But Rule 2010 proscribes a “broad range of misconduct,”<sup>10</sup> including unethical and bad faith conduct that is not illegal and does not violate another FINRA rule.<sup>11</sup> Thus, regardless of whether Burford may have violated Texas law by engaging in these transactions in LR’s account, he plainly failed to observe high standards of commercial honor and just and equitable principles of trade by violating Hilltop’s written supervisory procedures.<sup>12</sup> Those procedures expressly recognized that decedents’ accounts “may become subject to a will, estate laws, and other governing laws” and thus required Burford to immediately notify the firm of LR’s death, accept no orders, and decline to authorize any transfers until distribution was determined and necessary documents were received. By ignoring these requirements, Burford circumvented the important function they served to safeguard investor funds in the event of just such conflicting claims to a deceased customer’s assets as occurred here.<sup>13</sup>

We are similarly unpersuaded by Burford’s assertion that his decision to transact in LR’s account was made “in good conscience” and “adhere[d] to our industry’s highest principles.” FINRA Rule 2010 does not contain a scienter requirement.<sup>14</sup> Regardless, Burford also knew that Hilltop’s procedures prohibited the transactions he executed in LR’s account, and he previously followed these procedures when his customers had died.

We thus conclude that Burford violated Rule 2010 and that Rule 2010 is consistent with the Exchange Act’s mandate that FINRA adopt rules to promote just and equitable principles of

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<sup>10</sup> *Stephen Grivas*, Exchange Act Release No. 77470, 2016 WL 1238263, at \*4 (Mar. 29, 2016).

<sup>11</sup> *Michael Joseph Clarke*, Exchange Act Release No. 97860, 2023 WL 4422304, at \*9 (July 10, 2023).

<sup>12</sup> *See Kirlin Sec., Inc.*, Exchange Act Release No. 61135, 2009 WL 4731652, at \*14 (Dec. 10, 2009) (explaining that the Commission looks to “internal firm compliance policies to inform our determination” of whether conduct violates FINRA Rule 2010 (cleaned up)); *Dan Adlai Druz*, Exchange Act Release No. 36306, 1995 WL 579536, at \*7 (Sept. 29, 1995) (finding that respondent violated just and equitable principles of trade by settling customer complaints without obtaining approvals required under the firm’s policies), *aff’d*, 103 F.3d 112 (D.C. Cir. 1996) (unpublished table decision); *Thomas P. Garrity*, Exchange Act Release No. 25115, 1987 WL 755334, at \*4 (Nov. 12, 1987) (finding that options trades not authorized under the firm’s compliance policy violated just and equitable principles of trade).

<sup>13</sup> *Cf. Kirlin Sec.*, 2009 WL 4731652, at \*14 (finding that respondent acted unethically by signing his parents’ names to financial documents “in direct violation of [his firm’s] written supervisory procedures,” which were “aimed at ensuring the Firm’s customers are protected against unauthorized transactions in their accounts”).

<sup>14</sup> *Joseph R. Butler*, Exchange Act Release No. 77984, 2016 WL 3087507, at \*6 n.17 (June 2, 2016); *see also John Joseph Plunkett*, Exchange Act Release No. 69766, 2013 WL 2898033, at \*6 (June 14, 2013) (explaining that it is not necessary to ascertain a respondent’s motive to find a violation of Rule 2010).

trade.<sup>15</sup> In finding that Burford violated Rule 2010 by effecting unauthorized transactions in his deceased customer’s account, FINRA applied this rule consistently with the Exchange Act’s purposes.

### III. Sanctions

Exchange Act Section 19(e)(2) directs us to sustain FINRA’s sanctions unless we find, with due regard for the public interest and the protection of investors, that the sanctions are excessive or oppressive.<sup>16</sup> Under this standard, we consider any aggravating or mitigating factors and whether the sanctions are remedial and not punitive.<sup>17</sup> Although they are not binding on us, FINRA’s Sanction Guidelines serve as a benchmark in our review.<sup>18</sup>

FINRA imposed a six-month suspension and a \$10,000 fine. This sanction is within the guideline for unauthorized transactions—as that guideline recommended a suspension of one month to two years and a fine of \$5,000 to \$116,000.<sup>19</sup>

Burford’s misconduct also involved aggravating factors. Burford knew that the transactions violated Hilltop’s procedures, and he admitted that he had previously followed these procedures after the death of other customers.<sup>20</sup> As FINRA found, the number and duration of Burford’s unauthorized transactions—seventeen transactions totaling more than \$200,000 over

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<sup>15</sup> 15 U.S.C. § 78o-3(b)(6); *see also* *Fuad Ahmed*, Exchange Act Release No. 81759, 2017 WL 4335036, at \*17 (Sept. 28, 2017) (finding that Rule 2010 is consistent with the Exchange Act’s purposes).

<sup>16</sup> 15 U.S.C. § 78s(e)(2). Section 19(e)(2) also requires that the action not impose an unnecessary or inappropriate burden on competition. *Id.* Burford does not allege, nor does the record show, that the sanctions imposed create an unnecessary or inappropriate burden on competition.

<sup>17</sup> *See Saad v. SEC*, 718 F.3d 904, 906 (D.C. Cir. 2013); *PAZ Sec., Inc. v. SEC*, 494 F.3d 1059, 1065 (D.C. Cir. 2007).

<sup>18</sup> *Plunkett*, 2013 WL 2898033, at \*11 & n.68. We look to the Guidelines in force at the time the FINRA hearing panel made its determination in this case.

<sup>19</sup> FINRA Sanction Guidelines (Oct. 2021), at 100, [https://www.finra.org/sites/default/files/2022-09/2021\\_Sanctions\\_Guidelines.pdf](https://www.finra.org/sites/default/files/2022-09/2021_Sanctions_Guidelines.pdf) (“Guidelines”).

<sup>20</sup> *See id.* (“[W]hether the respondent knew he or she was acting without authorization[.]”); *see also id.* at 8 (Principal Consideration 13) (“Whether the respondent’s misconduct was the result of an intentional act, recklessness or negligence.”).

more than two years—were also aggravating.<sup>21</sup> Burford also attempted to conceal his misconduct from Hilltop for three years, including waiting fourteen months to submit LR’s death certificate to the firm.<sup>22</sup> The securities industry depends on the integrity of its participants, and Burford’s deceptive conduct “reflects strongly on [his] fitness” to serve in that industry.<sup>23</sup>

Burford nevertheless argues that he should not be sanctioned because his conduct did not result in personal gain or harm others. We have repeatedly found, however, that the absence of financial gain or harm to investors is not mitigating.<sup>24</sup> Although Burford admits that his conduct violated Hilltop’s procedures,<sup>25</sup> we do not find this mitigating because he also maintains that his actions were lawful and that his “moral obligation to help” PR was “more important than following procedures.” This equivocal and partial acknowledgement of responsibility is outweighed by the aggravating factors discussed here.<sup>26</sup>

We accordingly find that the six-month suspension and \$10,000 fine are not excessive, oppressive, or punitive.

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<sup>21</sup> See *id.* at 100 (“The number and dollar value of unauthorized transactions.”); see also *id.* at 7-8 (Principal Considerations 8, 9, and 17) (explaining that considerations in determining sanctions include whether the respondent “engaged in numerous acts and/or a pattern of misconduct”; whether the respondent “engaged in the misconduct over an extended period of time”; and “[t]he number, size and character of the transactions at issue”); *Ahmed Gadelkareem*, Exchange Act Release No. 82879, 2018 WL 1324737, at \*8 (Mar. 14, 2018) (considering applicant’s pattern of misconduct over 14 months to be an aggravating factor).

<sup>22</sup> See Guidelines at 100 (“Whether the respondent attempted to conceal the trading.”); see also *id.* at 7 (Principal Consideration 10) (explaining that considerations in determining sanctions include whether the respondent “attempted to conceal his or her misconduct”); *Denise M. Olson*, Exchange Act Release No. 75838, 2015 WL 5172954, at \*3 (Sept. 3, 2015) (deeming applicant’s attempt to conceal her misconduct and deceive her firm an aggravating factor).

<sup>23</sup> See *Rita Delaney*, Exchange Act Release No. 25119, 1987 WL 110282, at \*4 (Nov. 13, 1987).

<sup>24</sup> E.g., *Sean R. Stewart*, Exchange Act Release No. 6563, 2024 WL 835280, at \*7 & n.30 (Feb. 27, 2024); see also *Katz*, 2010 WL 358737, at \*26 (rejecting as mitigating assertion that representative “did not receive any financial benefit from the unauthorized transfers”).

<sup>25</sup> Cf. Guidelines at 7 (Principal Consideration 2) (recognizing as a consideration in determining sanctions “[w]hether an individual . . . accepted responsibility for and acknowledged the misconduct to his or her employer . . . or a regulator prior to detection and intervention by the firm . . . or a regulator”).

<sup>26</sup> See *N. Woodward Fin. Corp.*, Exchange Act Release No. 74913, 2015 WL 2151765, at \*13 (May 8, 2015) (observing that although applicants “are entitled to present a vigorous defense,” a “continued refusal to acknowledge” misconduct “demonstrates a misunderstanding of, or lack of regard for, their professional obligations”); cf. *Lek Sec. Corp.*, Exchange Act Release No. 82981, 2018 WL 1602630, at \*4 (Apr. 2, 2018) (explaining that applicants are not entitled to mitigation credit for acceptance of responsibility when they do not acknowledge that their misconduct constituted a violation of the securities laws).

An appropriate order will issue.<sup>27</sup>

By the Commission (Chairman ATKINS and Commissioners PEIRCE, CRENSHAW, and UYEDA).

Vanessa A. Countryman  
Secretary

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<sup>27</sup> We have considered all of the parties' contentions. We have rejected or sustained them to the extent that they are inconsistent or in accord with the views expressed in this opinion.

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 103180 / June 4, 2025

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CHARLES SCOTT BURFORD  
  
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FINRA

ORDER SUSTAINING DISCIPLINARY ACTION TAKEN BY FINRA

On the basis of the Commission's opinion issued this day, it is

ORDERED that the disciplinary action taken by FINRA against Charles Scott Burford is sustained.

By the Commission.

Vanessa A. Countryman  
Secretary