

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3912 / September 5, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16057

In the Matter of

JOHN THOMAS PAPPAS,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS ACT
OF 1940 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against John Thomas Pappas (“Respondent” or “Pappas”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. John Thomas Pappas, age 39, is a resident of Helena, Alabama. From November 2000 through June 2003, he was a registered representative and an investment adviser representative with Prudential Securities Inc., a registered investment adviser and broker-dealer located in New York, New York. From approximately June 2003 through March 2010, he was employed as a registered representative and an investment adviser representative with Merrill Lynch, Pierce, Fenner & Smith (“Merrill Lynch”), a registered investment adviser and broker-dealer located in Birmingham, Alabama.

B. ENTRY OF FINAL STATE ORDER

2. On February 1, 2012, a final administrative order was entered against Pappas, barring him “from registration and from engaging in any securities activities into, within or from the State of Alabama, indefinitely,” in a proceeding by the Alabama Securities Commission entitled, In the Matter of John Thomas Pappas, Administrative Order No. OB-2012-

0005 (the “Alabama Order”). On July 7, 2011, prior to the entry of the Alabama Order, Pappas executed a Letter of Acceptance, Waiver and Consent (the “AWC”) with The Financial Industry Regulatory Authority (“FINRA”), by which he agreed to a permanent bar from associating in any capacity with any FINRA member as a result of his violation of FINRA Rules 2150(a), 2010, 8210, and NASD Rule IM-2310-2.

3. According to the Alabama Order and the AWC, between 2007 and 2010, while employed at Merrill Lynch, Pierce, Fenner & Smith (“Merrill Lynch”), Pappas converted \$157,564 from three of his customers. He misappropriated the funds by accessing the bill payment feature in three separate customer accounts and directing payments to his personal credit card accounts. He also attempted to convert an additional \$14,260.00 from a fourth customer account, but his attempts were halted by Merrill Lynch, which terminated Pappas’ employment on February 4, 2010. Pappas made the payments to his credit card accounts without the knowledge or consent of his customers.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission’s Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jill M. Peterson
Assistant Secretary