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Texas State Securities Board

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IN THE MATTER OF THE AGENT AND THE INVESTMENT ADVISER REPRESENTATIVE REGISTRATION OF MICHAEL C DE PIPPO	§ § §	**Order No. REG20-SUS-02**

TO: Michael C. De Pippo (CRD No. 5882551)
Secure Investment Management, LLC
3067 W. Ina Road, Suite 105
Tucson, Arizona 85741

CONSENT ORDER

Be it remembered that Michael C. De Pippo ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

OVERVIEW

Respondent engaged in the sales of complex, structured products known as market-linked certificates of deposit ("MLCD(s)") while registered as an agent and investment adviser representative of BBVA Securities, Inc. The firm's procedures required its agents to discuss with potential investors specific risks relating to these products and consider whether a potential investor had the knowledge and experience to evaluate the risks. The staff of the Texas State Securities Board ("Staff") determined Respondent did not comply with these procedural requirements in connection with sales of MLCDs to certain customers. To resolve this matter, Respondent has effectively served a suspension from acting in a registered capacity for over one (1) year.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902.

2. Respondent was registered with the Securities Commissioner as an agent and investment adviser representative of BBVA Securities Inc. ("BBVA") from November 13 2015 through April, 17 2019 (the "Relevant Period").

3. On March 9, 2020, Respondent applied for registration with the Securities Commissioner as an investment adviser representative of Secure Investment Management, LLC ("SIM"). This application is currently pending.

Sales of Market-Linked Certificates of Deposit

4. During the Relevant Period, Respondent served as a financial adviser for six (6) BBVA branch offices where his primary responsibility was to assist BBVA bank customers in their retirement planning, insurance needs, and investment planning.

5. In connection with this role, Respondent engaged in sales of MLCDs.

6. An MLCD is a complex, structured product that provides principal protection at maturity and may accrue interest based on the performance of the underlying securities or indexes to which the MLCD is linked.

7. While an MLCD benefits from FDIC insurance (like a traditional certificate deposit), the term length of an MLCD is usually much longer: up to ten (10) years.

8. Certain MLCDs have a call feature, meaning the issuing bank will redeem the MLCD prior to maturity and pay a pre-determined rate of return (e.g., 7.5% per year) if the linked securities or indexes outperform an annual benchmark established in the MLCD's prospectus.

9. If such benchmarks are not met, the MLCD would offer no redemption until maturity and any return would be determined by the long-term performance of the linked securities or indexes.

10. Respondent recommended and sold MLCDs with a ten-year maturity term subject to an annual call.

11. During discussions with customers, Respondent would review the call feature of the MLCDs and refer to internal data that showed that MLCDs previously sold by the Respondent or BBVA were routinely called by the issuer within a one to three-year period.

12. Respondent further told his customers that if the MLCD was not called by the issuing bank within one to three years, the customer could sell the MLCD on a secondary market.

13. Following these discussions, certain customers of Respondent understood the MLCD to be a short-term investment rather than an investment with a ten-year maturity.

14. For instance, a customer indicated to the Staff that he had intended to use the invested funds for property tax payments due within two (2) years of the date he purchased the MLCD.

15. These customers did not clearly understand the very possible scenario that the underlying securities or indexes could underperform one of the annual benchmarks.

16. In this event, the MLCD would not be called, and the pre-maturity market value of the MLCD would suffer, reducing the MLCD to a long-term investment.

Violations of Firm Procedures

17. BBVA's written supervisory procedures covering the "Risk Disclosures" of structured products, such as the MLCDs Respondent was soliciting to his customers, require registered representatives to provide the prospectus and a risk disclosure statement to customers prior to purchase.

18. The procedures further require that registered representatives discuss certain risks of structured products with potential investors so that they understand the risks involved in their investment.

19. Significant risks required to be discussed include:

    a. risks arising from the underlying linked index;
    b. liquidity and market risks in relation to the MLCD itself;
    c. that the principal protection applies only at maturity and the costs of unwinding the product mean an earlier redemption value which may differ significantly from maturity value; and
    d. that sales in the secondary market may be at significantly discounted value to the original investment.

20. Respondent provided the applicable prospectus and BBVA risk disclosure statement to customers and obtained required signatures prior to their purchase of the ten-year MLCDs.

21. However, the Staff determined that Respondent did not sufficiently discuss with certain customers the aforementioned risk factors so that the customers understood the risks and potential illiquidity of the MLCD.

22. BBVA's written supervisory procedures, regarding "Suitability" of structured products, highlight the complexity of structured products and require registered representatives to consider whether the MLCD is suitable for each potential investor.

23. In addition to traditional suitability factors, BBVA's procedures specifically require that the knowledge and experience in financial matters and the customer's capability of evaluating the risks of the recommended transaction be considered in connection with sales of structured products.

24. The Staff reviewed the customer profile forms for certain customers that purchased MLCDs through Respondent. These forms contain information that relate to traditional suitability factors, such as a customer's financial information, investment objective, and liquidity needs, as well as their investment knowledge and experience with certain types of securities.

25. The customer profile forms reviewed by the Staff contained complete suitability information for each customer.

26. Notably, the profile forms for all customers reviewed by the Staff listed this same information: "long term growth" as the Investment Objective and "low" for Liquidity Needs. And no form reflected whether the customer had any prior knowledge and experience in investing in structured products.

27. Multiple customers stated to the Staff that their investment objectives were not "long term growth," their liquidity needs were not "low," and they had no prior experience with MLCDs.

28. Respondent did not reasonably determine the suitability of the MLCD for each customer to whom he recommended and sold an MLCD.

29. All sales by Respondent of MLCDs, including the sales described herein, were approved by a supervisor of Respondent.

Other Factors Considered

30. Respondent has represented to the Staff that Respondent has not acted as a "dealer", "agent", "investment adviser", or "investment adviser representative" in the State of Texas (as those terms are defined by Section 4 of the Texas Securities Act) since at least April 17, 2019.

31. This time period during which Respondent has been unlicensed and therefore prohibited by the Texas Securities Act from acting in a registered capacity for over one (1) year.

32. Respondent has cooperated with the Staff during its investigation.

33. In his role as an investment adviser representative for SIM, and in accordance with SIM's business model, Respondent is limited to providing investment advice on third-party managed portfolios that do not include structured products such as MLCDs.

CONCLUSIONS OF LAW

1. Respondent's failure to discuss certain significant characteristics and risks associated with investing in an MLCD with his customers to whom he sold the MLCD was a violation of BBVA's written supervisory procedures and therefore constitutes an inequitable practice in the sale of securities.

2. Respondent's failure to conduct reasonable a suitability analysis for potential investors prior to recommending they purchase an MLCD was also a violation of BBVA's written supervisory procedures and also constitutes an inequitable practice in in the sale of securities.

3. Pursuant to Section 14.A(3) of the Texas State Securities Act, the foregoing inequitable practices in the sales of securities constitute bases for the issuance of an order reprimanding Respondent.

ORDER

1. It is therefore ORDERED that the registration of Michael C. De Pippo as an investment adviser representative of Secure Investment Management, LLC is hereby GRANTED.

2. It is further ORDERED that Michael C. De Pippo is hereby REPRIMANDED.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 27th day of May, 2020.

TRAVIS J. ILES
Securities Commissioner

Respondent:

Michael C. De Pippo
Individually

Approved as to Form:

Clinton Edgar
Deputy Commissioner

Cristi R. Ochoa

Cristi Ramón Ochoa
Attorney
Inspections and Compliance Division