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SECURITIES COMMISSIONER

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## *Texas State Securities Board*

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IN THE MATTER OF THE  
DEALER REGISTRATION OF  
PTI SECURITIES & FUTURES, L.P.

§  
§  
§

Order No. IC17-CAF-01

TO: Thomas Patrick Haugh, Chief Executive Officer  
PTI Securities & Futures, L.P.  
411 S. Wells, Suite 900  
Chicago, Illinois 60607

### DISCIPLINARY ORDER

Be it remembered that PTI Securities & Futures, L.P. ("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.

### 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 581-44 (West 2010 & Supp. 2016)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2016)("Administrative Procedure Act").
2. On March 17, 1992, Respondent registered with the Securities Commissioner as a dealer. This registration is currently effective.

### Failure to Enforce Written Supervisory Procedures

3. On or about November 23, 2009, a seventy-five (75) year old Texas resident ("Client") opened a Traditional IRA with Respondent.

4. Client was the only account holder on the IRA. Client's account application included Client's social security number, date of birth and signature.

*Transfer Processed in February*

5. On February 19, 2015, the Chief Compliance Officer for Respondent ("CCO") received an email with the subject line "[SPAM] Hi Dan" and the body of the email stated "Hi Dan, Could you please email me the cash balance on all my account (sic). Thanks [Client]."
6. On February 19, 2015, CCO responded to the email. CCO included a new subject line of "pti" and in the body of the email wrote: "The balance is \$151,355.69."
7. On February 19, 2015, CCO received a reply to CCO's email whereby the sender requested a wire transfer of \$45,780 to an individual with an address in Louisiana. Prior to this email, Client had never made a request to wire or deposit money into this individual's account.
8. On February 19, 2015, CCO responded to the email stating: "Attached is the distribution request – also RBC requires you to sign the wiring instructions." RBC was the financial institution serving as custodian for Respondent's clients, including Client's funds.
9. On February 23, 2015 CCO received an email from Client's email address with signed copies of the wiring instructions and the distribution request form. The signatures on each of these documents were not the same as the signature on Client's account application.
10. Furthermore, the distribution request form had an incorrect social security number and birth date listed for Client. Client was born in 1934 and the birthdate included on the form was in 1969.
11. CCO did not speak with Client prior to Respondent processing the distribution to the individual with the Louisiana address.

*Transfer Processed in March*

12. On March 4, 2015, CCO received another email from Client's email address requesting a second wire transfer of \$45,780 to another unrelated individual to Client, whom Client had never wired money to before. This individual's address was listed as being in Alabama.
13. The March 4, 2015 email included signed wiring instructions and a completed distribution request form. The signatures on the documents again did not match Client's account application; however, the signatures did match the

signature of the February distribution request form, which Respondent compared the signature against. Additionally, the birthdate and the social security number on the distribution request form did not match Client's.

14. CCO again did not speak with Client prior to Respondent processing the distribution to the individual with the Alabama address.

*Second Transfer Requested in March*

15. On March 10, 2015, CCO received another email from Client's email address requesting a third wire transfer of \$53,980. The email also included signed wiring instructions and a completed distribution request form. The signatures on the documents again did not match the account application; however, the signatures did match the signature of the February distribution request form, which Respondent compared the signature against. Additionally, the birthdate and the social security number on the distribution request form did not match Client's.
16. The wire transfer requested the funds be sent to the same individual in Alabama to whom the March 4, 2015 wire transfer was sent.
17. CCO again did not speak with Client prior to Respondent processing the distribution to the individual with the Alabama address.
18. CCO received an additional email Client's email address on March 10, 2015 requesting the status of the transfer. CCO replied that the CCO was just notified by RBC that the receiving bank rejected the wire. CCO said the next step would be for Client to contact the bank.
19. On March 11, 2015, CCO received a response from Client's email address that included new signed wiring instructions and stated "Please RBC [sic] transfer the money there today and email me as soon as it's done."
20. On March 11, 2015, CCO sent an email to Client's email address requesting that Client call CCO "regarding yesterday's transaction." CCO received an email from Client's email address stating that Client was out of town and that was why the transaction request was made by email.
21. On March 11, 2015, CCO called Client and informed Client that two wire transfers had been performed, and that a third wire transfer had been rejected by the receiving bank.
22. Client told CCO that Client did not make the wire transfer requests and did not know anything about the wires.

### *Respondent's Procedures*

23. Respondent's written supervisory procedures require Respondent to verify customers' signatures prior to acting on a Letter of Authorization instructing the firm to transfer funds. Respondent is also required to compare all such signatures to the customer's New Account Forms and customer agreements. Any discrepancies require a discussion with the customer before conducting the action requested.
24. In addition to regulation by the State Securities Board, the Respondent is required to be a member of the Financial Industry Regulatory Authority ("FINRA") and is required to comply with FINRA rules. In January 2012, FINRA released a regulatory notice titled "Customer Account Protection, Verification of Emailed Instructions to Transmit or Withdraw Assets from Customer Accounts," which provided information to firms about how to be in compliance with FINRA rules related to supervision.
25. In the regulatory notice FINRA advised members of the rise in the "number of reports of incidents of customer funds stolen as a result of instructions emailed to firms from customer email accounts that have been compromised." FINRA highlighted the risks with accepting instructions to withdraw or transfer funds by email because customer email accounts are susceptible to being breached by hackers to commit fraud.
26. FINRA recommended that firms reassess their policies and procedures for accepting and verifying instructions to withdraw or transfer funds which are transmitted by email. Specifically FINRA recommended that firm's policies and procedures should "include a method for verifying that the email was in fact sent by the customer and be designed to identify and respond to 'red flags,' including transfer requests that are out of the ordinary, requests that funds be transferred to an unfamiliar third party account, or requests that indicate urgency or otherwise appear designed to deter verification of the transfer instructions."
27. Respondent did not establish written supervisory procedures related to how Respondent's agents should verify that email instructions to wire funds were in fact sent by a client nor regarding how its agents should verify and address "red flags" related to electronic transfer requests.

### **Remedial Efforts**

28. Respondent made a full repayment of the wired funds totaling \$91,560 to the Client.

29. Respondent now prohibits any transfer of funds from client accounts to individuals or entities unless both accounts are owned by the same client of Respondent.
30. Respondent implemented additional measures to safeguard against identity theft in relation to changes in client accounts and request from clients.

### CONCLUSIONS OF LAW

1. Respondent failed to enforce its written procedures when it failed to verify the signatures included on the three wire distribution request forms and signed wiring instructions, and when Respondent did not discuss the discrepancies with the Client before processing the transfer requests. Respondent's failures constitute violations of §115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board ("Board Rules").
2. Respondent failed to establish and maintain a supervisory system reasonably designed to achieve compliance with all applicable securities laws and regulations, which constitutes a violation of §115.10(a) of the Board Rules.
3. Respondent's violations of the Board Rules provide bases for the assessment of an administrative fine against Respondent pursuant to Section 23-1-(A)(3) of the Texas Securities Act.
4. Respondent's violations of Board Rules also provide bases for the issuance of an Order reprimanding Respondent pursuant to Section 14.A(6) of the Texas Securities Act.

### ORDER

1. It is therefore ORDERED that PTI Securities & Futures, L.P. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Five Thousand Dollars (\$5,000). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Five Thousand Dollars (\$5,000), payable to the State of Texas, contemporaneously with the delivery of this Order.

2. It is further ORDERED that PTI Securities & Futures, L.P. is hereby REPRIMANDED.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 2nd  
day of June, 2017.



JOHN MORGAN  
Securities Commissioner

Respondent:

*Tom Haugh*

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Thomas Haugh  
Chief Executive Officer,  
PTI Securities & Futures, L.P.

Approved as to Form:

*Callie Hester*

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Callie A. Hester  
Attorney  
Inspections and Compliance Division

*Cristi Ramón*

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Cristi Ramón  
Attorney  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 26 day of May, 2017, PTI Securities & Futures, L.P. ("Respondent") by and through Thomas Haugh, its Chief Executive Officers appeared before me, executed the foregoing Order, and acknowledged that:

1. Thomas Haugh is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Thomas Haugh has read the foregoing Order;
3. Respondent has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

  
Notary Public in and for  
the State of Illinois

My commission expires on: 7/30/19