



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
DANIEL H. VATTEROTT,) Case No.: AP-24-05
CRD No. 1263265,)
)
Respondent.)

CONSENT ORDER

1. On December 4, 2023, the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) issued a Letter of Acceptance, Waiver, and Consent (“**AWC**”) against Missouri-registered broker-dealer agent and investment adviser representative, Daniel H. Vatterott (“**Respondent**”), for causing his member firm to maintain inaccurate books and records by falsifying the production number for trades in his member firm's order entry system and causing the firm's trade confirmations to show an inaccurate production number, in violation of FINRA Rules 2010 and 4511.¹ Under the AWC, Respondent consented to a six-month suspension from association with any FINRA member in any capacity and a \$5,000 fine. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“**Enforcement Section**”), through Enforcement Counsel William F.H. Dunker, alleges that these actions constitute sufficient grounds for the Missouri Commissioner of Securities (“**Commissioner**”) to discipline Respondent in accordance with Sections 409.4-412(b) and (c).²
2. Respondent and the Enforcement Section desire to settle the allegations and the matter raised by the Enforcement Section relating to Section 409.4-412.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over Respondent and this matter pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has

¹ See FINRA AWC issued in Matter No. 2021070570001.

² Unless otherwise indicated, statutory citations refer to the 2016 edition of the Revised Statutes of Missouri, updated by the 2023 Cumulative Supplement.

authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondent waives any rights to a hearing with respect to this matter.
6. Respondent waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of the Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that he is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section or the Findings of the Commissioner, but consents to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

THE COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Respondent is a resident of St. Louis, Missouri, and has been a Missouri-registered broker-dealer agent since 1988 and a Missouri-registered investment adviser representative since 1995. Between October 1, 2017 and February 17, 2021 (“**Relevant Period**”), Respondent allegedly engaged in activities that violated FINRA Rules 2010 and 4511. According to the AWC and confirmed by the Enforcement Section’s own investigation, during the Relevant Period, Respondent was associated with Morgan Stanley & Company (the “**Firm**”) at a branch office located in Clayton, Missouri. On or about February 17, 2021, Respondent was terminated by the Firm after an internal investigation. Respondent is currently employed by Oppenheimer & Co. Inc. at a branch office in St. Louis, Missouri.

A. Allegations of Violative Conduct

13. In September 2017, Respondent entered into an agreement through which he agreed to service certain customer accounts, including executing trades for those accounts, under a joint production number (“**JPN**”). The JPN was established through the Firm’s Former Advisor Program (the “**FAP Agreement**”) and was shared with the estate of a recently-deceased former representative (the “**Representative Estate**”). The FAP Agreement set forth the proportion, in percentage terms, that Respondent and the Representative Estate were entitled to earn from revenue in accounts under the JPN.

14. During the Relevant Period, Respondent changed the JPN on 558 trades in accounts that were covered by the FAP Agreement. In his defense, Respondent claims he changed the production number because he believed that the FAP Agreement did not apply to new assets added to the accounts subject to the Agreement and that he was authorized to enter the 558 trades using a different production number. Although the Firm’s platform prepopulated the trades with the correct JPN, Respondent changed the production number for the 558 trades to Respondent’s own production number. As a result, Respondent received a higher commission payout on these trades than he was entitled to receive under the FAP Agreement.

15. Prior to changing the production number on the subject trades, Respondent neither notified the Representative Estate to receive its authorization or consent nor sought internal authorization from the Firm’s Complex Manager in Clayton to either move accounts subject to the FAP Agreement to a different production number or enter trades for the accounts subject to the FAP Agreement on a different production number.

16. As a result of Respondent’s actions, the Firm’s trade confirmations for the 558 trades inaccurately reflected production numbers that provided Respondent with higher commission payouts on the trades than the commission payouts using the JPN to which Respondent had already agreed and would have been entitled to under the FAP Agreement.

B. Additional Information

17. In February 2021, the Firm paid restitution to the Representative Estate for commissions it should have received on the subject trades under the FAP Agreement. Respondent reimbursed the Firm a total of \$87,500 – the approximate amount of additional commissions that he received as a result of falsifying the production number on the trades.
18. On December 4, 2023, FINRA approved an AWC in Matter No. 2021070570001. According to the AWC, Respondent consented to a six-month suspension from association with any FINRA member in any capacity and a \$5,000 fine for the conduct set forth above.
19. On January 2, 2024, FINRA provided notice to the Securities Division of the AWC in Matter No. 2021070570001 involving Respondent. The Enforcement Section subsequently initiated an investigation of Respondent.
20. Section 409.4-412(b) provides in relevant part,

If the [C]ommissioner finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this act may ... suspend ... the registration of a registrant ...[.]
21. Section 409.4-412(c) provides in relevant part,

If the [C]ommissioner finds that the order is in the public interest and subsection (d)(1) to (6), (8), (9), (10), or (12) and (13) authorizes the action, an order under this act may...impose a civil penalty in an amount not to exceed a maximum of twenty-five thousand dollars for each violation on a registrant ...[.]
22. Section 409.4-412(d)(5)(C) provides in relevant part,

A person may be disciplined under subsections (a) to (c) if the person:

...(5) Is the subject of an order, issued after notice and opportunity for hearing by:

...(C) ...a self-regulatory organization suspending...the registrant from membership in the self-regulatory organization[.]

II. CONCLUSIONS OF LAW

23. **THE COMMISSIONER CONCLUDES** that an order is in the public interest to suspend the registrations of Respondent as a broker-dealer agent and investment adviser representative pursuant to Sections 409.4-412(b) and 409.4-412(d)(5)(C) and impose a monetary fine against Respondent pursuant to Section 409.4-412(c).
24. **THE COMMISSIONER CONCLUDES** that the violations above are sufficient to issue

an order in accordance with Section 409.6-604.

25. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

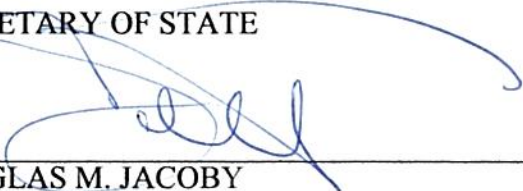
26. Respondent is **SUSPENDED** from operating as a broker-dealer agent and investment adviser representative in the State of Missouri upon execution of this Consent Order through July 1, 2024, during which Respondent is prohibited from receiving remuneration or compensation, either directly or indirectly, of any kind or in any form from any broker-dealer, investment adviser, or any officer, director, employee or agent of same;
27. Respondent shall pay \$4,000 to the Missouri Secretary of State's Investor Education and Protection Fund. **This amount is due upon execution of this Order by Respondent and shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund** and sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101;
28. Respondent, his agents and employees, and all other persons participating in the above-described alleged violation with knowledge of this Order, are permanently enjoined and restrained from engaging in conduct and/or activities subject to discipline under Section 409.4-412(d)(5)(C); and
29. Respondent shall pay his own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 28 DAY OF December, 2024.




JOHN R. ASHCROFT
SECRETARY OF STATE



DOUGLAS M. JACOBY
COMMISSIONER OF SECURITIES


Consented to by:

THE MISSOURI SECURITIES DIVISION



William F.H. Dunker
Enforcement Counsel

RESPONDENT



Daniel H. Vatterott, CRD No. 1263265