

**STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION**

<b>IN THE MATTER OF:</b>	)	
	)	
<b>JOHN THOMAS PAPPAS</b>	)	<b>ADMINISTRATIVE ORDER</b>
	)	<b>NO. OB-2012-0005</b>
	)	
<u>                    <b>RESPONDENT</b></u>	)	

**ORDER TO BAR**

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information that the persons listed as respondents have engaged in an act or practice constituting a violation of a provision of the act, has determined as follows:

**RESPONDENTS**

1. **JOHN THOMAS PAPPAS (PAPPAS)**, during all times relevant to the issuance of this order, acted as an investment advisor representative for Merrill Lynch, Pierce, Fenner & Smith (Merrill Lynch), the wealth management division of Bank of America, with a business address of 100 Grandview Place; Birmingham, Alabama 35243.

**STATEMENT OF FACTS**

2. **PAPPAS** was employed as a registered investment advisor with Merrill Lynch from June of calendar year 2003, though February 4, 2010, at which time **PAPPAS** was terminated for converting customer funds to his personal use.

3. In response to a complaint received by The Financial Industry Regulatory Authority (FINRA), FINRA initiated an investigation of **PAPPAS**. In addition, Merrill Lynch began an internal investigation of **PAPPAS**. As a result of said investigations,

both FINRA and Merrill Lynch determined that four (4) clients were impacted by the conversion of client funds by **PAPPAS**.

4. With regard to three (3) of the four (4) clients, **PAPPAS** activated the online bill payment feature in the clients' accounts and then directed payments of his personal credit card accounts. **PAPPAS** attempted a conversion from the account of a fourth client; however, the transaction was stopped by Merrill Lynch. The details of these transactions are as follows:

- A. During 2009 and 2010, **PAPPAS** used the online bill payment feature to direct a series of payments totaling \$61,161.23 from the account of Customer A to his personal credit card accounts. **PAPPAS** made these payments without the knowledge or consent of Customer A. **PAPPAS** held a Power of Attorney over the account of Customer A.
- B. Between September 2007 and July 31, 2009, **PAPPAS** used the online bill payment feature to direct approximately 40 payments totaling \$69,120.52 from the account of Customer B to his personal credit card accounts. **PAPPAS** made these without the knowledge or consent of Customer B.
- C. On January 7, 2010, and January 20, 2010, **PAPPAS** used the online bill payment feature to direct two (2) payments totaling \$27,282.00 from the account of Customer C to his personal credit card accounts. **PAPPAS** made these payments without the knowledge or consent of Customer C.
- D. On January 13, 2010, **PAPPAS** accessed the online bill payment system for the account of Customer D and attempted to direct two (2) payments totaling \$14,260.00 to his personal credit card accounts; however, the payments were stopped by Merrill Lynch before they could be made. **PAPPAS** attempted to make these payments without the knowledge or consent of Customer D.

5. With regard to the fourth client whose account was impacted, on January 27, 2010, **PAPPAS** placed a trade totaling \$6,893.43. This customer was deceased at the time of the trade. The trade was not authorized by any representative of the customer, and **PAPPAS** was not granted discretion to trade in the account.

6. **PAPPAS** was terminated by Merrill Lynch on February 4, 2010.

7. On or about March 18, 2011, counsel to **PAPPAS** delivered to Merrill Lynch a check in the amount of \$98,297.00, representing the actual losses sustained by the Merrill Lynch clients who sought restitution from Merrill Lynch and/or **PAPPAS**. Two (2) victims of **PAPPAS'** actions were relatives and elected not to pursue restitution from **PAPPAS**. In addition, all Merrill Lynch clients affected by **PAPPAS** elected, via letter, to hold Merrill Lynch harmless relative to the conversion of their funds. The Commission has confirmed that all clients seeking reimbursement from Merrill Lynch have been made whole.

8. On July 7, 2011, **PAPPAS** executed a Letter of Acceptance, Waiver, And Consent pertaining to the violation of FINRA Rules 2150(a) and 2010. By executing said Letter of Acceptance, Waiver, And Consent, **PAPPAS** agreed to a permanent bar from associating with any FINRA member in any capacity.

### CONCLUSIONS OF LAW

9. Pursuant to Code of Alabama 1975, § 8-6-3(j)(6), the Commission may by order bar any person from employment with a dealer or investment advisor or from any function or activity of the business for which registration is required in this state if the order is in the public interest and the person is the subject of an order, adjudication or determination that the person violated the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or the federal mail and wire fraud statutes, or the securities, investment adviser, or commodities law of any other state, within the past 10 years. **RESPONDENT**, entered into a letter of acceptance, waiver and consent

with FINRA in which he was barred from association with any FINRA member for actions constituting violations of one or more of the forgoing acts or statutes.

10. Pursuant to Code of Alabama 1975, § 8-6-3(j)(7), the Commission may by order bar any person from employment with a dealer or investment advisor or from any function or activity of the business for which registration is required in this state if the order is in the public interest and the person has engaged in dishonest or unethical practices in the securities business. RESPONDENT, entered into a letter of acceptance, waiver and consent with FINRA in which he was barred from association with any FINRA member for actions relating to the unauthorized conversion of funds from client accounts.

**WHEREAS**, this Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

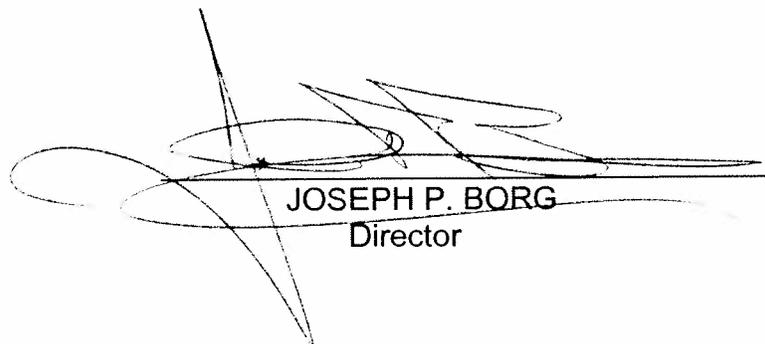
**ACCORDINGLY, IT IS HEREBY ORDERED** that **RESPONDENTS** be **BARRED** from registration and from engaging in any securities activities into, within or from the State of Alabama, indefinitely.

Entered at Montgomery, Alabama, this 1st day of February, 2012.



ALABAMA SECURITIES COMMISSION  
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BY:



JOSEPH P. BORG  
Director