Finra charges broker with fraud for churning blind widow's account

Excessive trading and commissions cost an elderly investor $184,000, Finra alleges.

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The Financial Industry Regulatory Authority Inc. charged a broker with securities fraud for churning the account of an elderly, blind widow.

The "deceptive and fraudulent scheme" generated $243,000 in commissions for the broker, Hank Mark Werner, and caused the 77-year-old customer $184,000 in net losses over a three-year period, Finra alleged.

Mr. Werner isn't currently registered with a broker-dealer. He most recently was registered with New York City-based Legend Securities Inc., from December 2012 until March 2016, when Finra made a preliminary determination to recommend disciplinary action be brought against Mr. Werner for potential willful violations of securities law, according to Finra's BrokerCheck website.

Mr. Werner had been the broker of the elderly client and her now-deceased husband since 1995. The client's husband passed away in 2012.

Between October 2012 and December 2015, Mr. Werner allegedly placed more than 700 trades on more than 200 different securities, and charged a markup or commission of between 2.5% and 3% on each sale, ultimately rising to 3.75% to 4.25% when he switched firms, according to Finra.

Based on the level of trading and commissions charged, there was "little to no possibility that the customer would profit from such trading," according to the regulatory body.

Further, based on the investment objective and financial situation of the client, Mr. Werner didn't have a reasonable basis to determine recommended trades were suitable, Finra said.

Mr. Werner was not immediately available to comment.

Mr. Werner is allowed to file a response to the compliant and request a hearing before a disciplinary panel. Depending on the outcome of proceedings, he may be fined, censured, suspended or barred, and disgorged of profits due to alleged violations.

Elder financial abuse has been on regulators' and legislators' radar screens. Last month, laws requiring financial advisers to alert state authorities of suspected elder financial abuse and giving them immunity from civil liability went into effect in three states: Alabama, Indiana and Vermont.

The U.S. House of Representatives last month approved legislation that would protect financial advisers from liability under privacy laws for reporting such financial abuse.