

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023079054101**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Brenton Ditto (Respondent)
General Securities Representative
CRD No. 4779103

Pursuant to FINRA Rule 9216, Respondent Brenton Ditto submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Ditto first registered with FINRA in 2004. Since October 2014, Ditto has been registered with FINRA as a General Securities Representative through an association with LPL Financial LLC (CRD No. 6413).¹

OVERVIEW

In September 2021, Ditto recommended that a 95-year-old customer invest in Government National Mortgage Association (GNMA) support class bonds, a complex product for which Ditto did not have a reasonable basis to believe was in the customer's best interest based on his investment profile. Therefore, Ditto willfully violated Rule 15c-1(a)(1) under the Securities Exchange Act of 1934 (Reg BI) and also violated FINRA Rule 2010.

For these violations, Ditto is suspended for four months in all capacities, fined \$5,000, and ordered to disgorge his commissions of \$402.58, plus interest.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a complaint to FINRA.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI under the Securities Exchange Act of 1934. Rule 15c-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Reg BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

A violation of Reg BI also is a violation of FINRA Rule 2010, which requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

In September 2021, Ditto's customer, who was then 95 years old, opened an account with LPL. The customer's daughter had power of attorney over her father's account. The customer's new account form stated that his investment objective was "income with capital appreciation," the most conservative investment objective, and also stated that he had no experience with fixed income investments. The account was funded with \$75,000, the proceeds from the sale of the customer's home.

The customer's daughter told Ditto that she was seeking an investment for her father that had no principal risk but could generate returns greater than a bank CD. She also told Ditto that the principal of the investment could not be tied up for any longer than one year because she needed the funds for her father's living expenses.

Between September 8, 2021 and September 14, 2021, Ditto recommended that his customer purchase four GNMA support class bonds for approximately \$71,000, for which Ditto received over \$400 in commissions. The support class bonds were part of a Real Estate Mortgage Investment Conduit (REMIC), a mortgage-backed security that pools mortgage loans. A REMIC contains various classes, the holders of which receive a return of principal from the underlying mortgages according to a structured priority. Holders of classes with a higher priority receive a return of principal before the holders of the support class bonds that Ditto recommended. Moreover, if there is a shortfall in the return of principal on the mortgages underlying the higher priority classes, principal returned on the support class bonds will be paid to the holders of the higher priority classes rather than to the support class bond holders. If interest rates rise, it is likely that

mortgage principal repayments will slow and that repayments on mortgages underlying the support classes will be directed to pay the holders of the higher priority classes. The market value of support class bonds will also decrease as interest rates rise.

Given the risks associated with support bonds, Ditto did not have a reasonable basis to believe that his recommendation was in his customer's best interest based on his investment profile, including his age, risk tolerance, and liquidity needs. Ditto failed to review the prospectuses and did not take into account the risk factors associated with recommending the support class bonds, including that principal repayments for support class bonds could be directed to those classes with a higher priority, and in a rising interest rate environment support class bonds were likely to lose value.

Indeed, interest rates rose after Ditto purchased the support class bonds. His customer received no principal repayments on the GNMA support class bonds, and their value decreased. The customer incurred approximately \$19,000 in losses from his investments, and settled his claim against LPL.

By recommending investments to a retail customer without having a reasonable basis to believe they were in the customer's best interest, Ditto willfully violated Exchange Act Rule 15c-1(a)(1) and violated FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a four-month suspension from associating with any FINRA member in all capacities;
- a \$5,000 fine; and
- disgorgement of \$402.58 plus interest as described below.

Disgorgement of commissions received is ordered to be paid to FINRA in the amount of \$402.58, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from September 16, 2021 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the

Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

Respondent understands that this settlement includes a finding that he willfully violated Rule 15f-1 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him.
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA for legal advice. Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

7/31/25
Date

Brent Ditto
Brenton Ditto
Respondent

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

August 8, 2025
Date

Bruce M. Sabados
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FINRA
Department of Enforcement
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