

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JAMES IANNAZZO  
(CRD No. 2807988),

Respondent.

Disciplinary Proceeding  
No. 2020067734001

Hearing Officer—MJD

**EXTENDED HEARING PANEL  
DECISION**

Date: February 6, 2025

**For structuring 368 cash withdrawals and deposits totaling \$845,890 with knowledge of, and an intent to evade, federal currency reporting requirements, in violation of the high standards of ethical conduct imposed by FINRA Rule 2010, Respondent James Iannazzo is fined \$50,000 and suspended for two years from associating with any FINRA member firm in any capacity. Respondent is also ordered to pay costs.**

*Appearances*

For the Complainant: Brody W. Weichbrodt, Esq., and Christen A. Sproule, Esq.,  
Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: David A. Gehn, Esq., and Fawn M. Lee, Esq., Fox Rothschild LLP

**I. Introduction**

FINRA’s Department of Enforcement filed a Complaint alleging in a single cause of action that for more than six years—between December 2014 and March 2021 (the “relevant period”)—while associated with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill” or the “Firm”), Respondent James Iannazzo “structured” 368 separate cash transactions to avoid the currency reporting requirements set forth in federal regulations. The Complaint alleges that Iannazzo’s misconduct constituted a violation of FINRA Rule 2010.

Iannazzo filed an Answer disputing the allegations and requesting a hearing. He asserted various defenses, including that his cash activity did not concern his securities business but instead was related to paying expenses to renovate his residence, and that he did not purposely evade currency reporting requirements.

## II. Overview

The Bank Secrecy Act (“BSA”) of 1970, 31 U.S.C. § 5311 *et seq.*, and 31 C.F.R. § 1010.311 as amended by subsequent legislation, requires that financial institutions in the United States file a currency transaction report (“CTR”) for a cash transaction greater than \$10,000. The purpose of a CTR is to provide law enforcement with information to enable it to detect unlawful conduct such as money laundering and tax evasion. Structuring cash deposits and withdrawals to avoid the filing of a CTR is a crime. It involves three elements: (1) breaking up large amounts of cash into smaller amounts of \$10,000 or less; (2) knowledge of a financial institution’s reporting requirement; and (3) intent to evade the reporting requirement.<sup>1</sup> It is not necessary to prove a motive or that the structured funds derived from a criminal source.<sup>2</sup> Proving the intent to avoid the filing of the CTR is sufficient.<sup>3</sup>

Iannazzo primarily used a securities account and a personal bank account to withdraw and deposit cash. The accounts were: (1) an individual cash management account at Merrill (the “ML Account”) and (2) a joint checking account with his wife at a local Connecticut bank (“LCB”) (the “LCB Account”). He also had a joint checking account with his wife at Bank of America (the “BoA Account”). Iannazzo used this account only later in the relevant period to make large cash deposits. To withdraw cash from the ML Account, Iannazzo used a debit card at Bank of America ATMs, typically withdrawing the daily ATM limit of \$2,500. During certain periods, after Iannazzo had accumulated large amounts of unspent cash, he would return the cash, which he stored in a safe at home, to his accounts by making multiple trips to LCB and Bank of America to deposit separate amounts below the \$10,000 reporting threshold.

On days that Iannazzo obtained more than \$10,000 in cash he typically withdrew between \$8,000 and \$9,500 in cash from the LCB Account and on the same day withdrew the daily maximum of \$2,500 from the ML Account using a Bank of America ATM. In this way, Iannazzo avoided the requirement to report currency transactions exceeding \$10,000. On many occasions, Iannazzo withdrew or deposited tens of thousands of dollars in cash in the span of a few weeks, or even a few days, thereby avoiding cash transactions that exceeded \$10,000 in any single day. Iannazzo never engaged in cash transactions that exceeded \$10,000 at the same financial institution on any one day. Iannazzo repeated these patterns with some modifications throughout the relevant period, although there were months-long stretches during which he engaged in no cash withdrawal or deposit activity.

At the hearing,<sup>4</sup> Iannazzo offered various explanations for engaging in multiple cash transactions below \$10,000. He said he felt unsafe carrying amounts larger than about \$8,000 to

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<sup>1</sup> *United States v. MacPherson*, 424 F.3d 183, 188-89 (2d Cir. 2005).

<sup>2</sup> *Id.* at 185 n.2 (“Motive is not an element of the crime” of structuring.).

<sup>3</sup> *Id.* at 189-91.

<sup>4</sup> The hearing was held in two sessions—May 20 through 22 and August 6 through 8, 2024—at FINRA’s Regional Office in New York City.

\$9,000 at any one time. He also testified that he used his bank account statements as a spreadsheet to track the cash activity for separate residential renovation projects. By making separate withdrawals, Iannazzo stated, he could keep track of his separate projects. Iannazzo also claimed he was not aware of the \$10,000 CTR reporting requirement and so could not have formed the intent to avoid the reporting requirement.

A majority of the Extended Hearing Panel (“Panel Majority”) does not find Iannazzo’s explanations credible. He was an experienced financial advisor by the time he began his structuring activity in 2014 and he received ample training about financial crimes at Merrill that addressed currency transaction reporting and structuring. The Panel Majority finds that Enforcement proved each of the required elements of a structuring violation. The Panel Majority therefore finds that Iannazzo violated FINRA Rule 2010.<sup>5</sup>

For this misconduct, the Panel Majority imposes a \$50,000 fine and suspends Iannazzo for two years from associating with any FINRA member firm in any capacity.

### **III. Findings of Fact**

#### **A. Iannazzo’s Background**

Iannazzo entered the securities industry in 1995 and became registered with FINRA as a general securities representative through his association with Merrill in November 1996.<sup>6</sup> Iannazzo was associated with Merrill until February 23, 2022, when the Firm filed a Uniform Termination Notice for Securities Industry Registration (Form U5), disclosing that it had terminated him on January 24, 2022. The Form U5 reported that the Firm terminated Iannazzo because of “[p]ersonal conduct outside the workplace inconsistent with Firm standards . . . [which] did not involve the servicing of [Firm customer] accounts.”<sup>7</sup>

Iannazzo was a successful broker at Merrill. By the time he left the Firm, he was a managing director at the branch office in Stamford, Connecticut.<sup>8</sup> He had a junior partner and two or three sales assistants working with him in what he called The Iannazzo Group.<sup>9</sup> He earned

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<sup>5</sup> One panelist dissents from the Panel Majority’s findings that Iannazzo engaged in unlawful structuring, in violation of FINRA Rule 2010.

<sup>6</sup> Complaint (“Compl.”) ¶ 6; Respondent James Iannazzo’s Answer (“Ans.”) ¶ 6; Joint Stipulations (“Stip.”) (Jan. 16, 2024) ¶ 2; Joint Exhibit (“JX-” ) 1, at 8. Iannazzo also held the title of Wealth Management Advisor at Merrill. JX-3, at 1. Iannazzo graduated from college in 1995 with a bachelor’s degree in business with a concentration in finance. Hearing Transcript (“Tr.”) 563, 576; JX-4, at 7.

<sup>7</sup> JX-1, at 5. The conduct referenced in the Form U5 is unrelated to the allegations against Iannazzo set forth in the Complaint.

<sup>8</sup> Tr. 576-77, 584, 1133-34; JX-1, at 8; JX-4, at 4.

<sup>9</sup> Tr. 581; Complainant’s Exhibit (“CX-” ) 42, at 213 (monthly Merrill securities account statement identifying the financial advisor on Iannazzo’s ML Account as “The Iannazzo Group”).

recognition nationally as a top financial advisor.<sup>10</sup> Iannazzo also obtained a certification as a certified financial planner in 2005.<sup>11</sup> By the time he left the Firm in early 2022, Iannazzo estimated that he was servicing between 200 and 300 clients and managing between \$500 million and \$550 million in assets.<sup>12</sup> Between 2015 and 2021, his business generated between \$2.8 million and \$4.4 million in revenues for the Firm.<sup>13</sup> From about 2014 to 2017, Iannazzo was paid around 50 percent of the revenues he generated because he had to share commissions with a partner.<sup>14</sup> In 2013, Iannazzo earned approximately \$700,000.<sup>15</sup> He estimated that the following year he earned \$1.3 million. By 2020, Iannazzo’s earnings had risen to \$1.7 million.<sup>16</sup>

Shortly after leaving Merrill, Iannazzo became associated with Aegis Capital Corp. as a general securities representative. He has been associated with Aegis since March 2022<sup>17</sup> and is therefore subject to FINRA’s jurisdiction.<sup>18</sup>

## **B. Iannazzo Received Training on BSA Reporting Requirements**

Throughout the relevant period, Merrill’s parent corporation, Bank of America, had in place an Employee Handbook that cautioned employees that their personal conduct was important to the company. In a section addressing personal conduct, the 2014 Employee Handbook stated that because the Firm was “judged by the collective performance and public perception of its employees, each employee has a responsibility to act in a manner that merits public trust and confidence.”<sup>19</sup> The “basic principles of personal conduct” included “not tak[ing] any action, either personally or on behalf of the company, that will violate any law or regulation affecting our business.”<sup>20</sup> Merrill informed its employees that they were “expected to comply with internal policies and procedures as well as with all relevant laws, regulations and ethical standards.”<sup>21</sup>

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<sup>10</sup> Tr. 1136.

<sup>11</sup> Tr. 1126-27; JX-4, at 7.

<sup>12</sup> Tr. 577.

<sup>13</sup> Tr. 577-78.

<sup>14</sup> Tr. 577-78.

<sup>15</sup> Tr. 1129, 1158.

<sup>16</sup> Tr. 1130-31. Iannazzo’s 2020 Connecticut state tax return shows he and his wife reported federal adjusted gross income exceeding \$1.5 million that year. CX-39a, at 33.

<sup>17</sup> Stip. ¶ 3; JX-1, at 3.

<sup>18</sup> FINRA initiated its investigation into Iannazzo’s alleged structuring activities after receiving a referral from another regulator. Tr. 539-40. FINRA sent its first request for information to Iannazzo in May 2021, which is also when Iannazzo first learned of FINRA’s investigation into his activities. Tr. 54-56, 109-11, 1101-02; CX-47.

<sup>19</sup> CX-20a, at 6 (Bank of America Employee Handbook, revised October 2014).

<sup>20</sup> CX-20a, at 6.

<sup>21</sup> CX-20a, at 4.

These general directives were repeated in the 2016 and 2021 updates to Bank of America's Employee Handbook.<sup>22</sup> Iannazzo testified that he understood that the policies and procedures set forth in the Bank of America Employee Handbook applied to his personal conduct,<sup>23</sup> and that he was prohibited from engaging in misconduct in his personal financial accounts.<sup>24</sup>

Also, during the relevant period, Bank of America maintained a Code of Conduct that applied equally to its Merrill subsidiary. It included anti-money laundering ("AML") rules in its list of laws and regulations that employees must follow. The Code of Conduct instructed employees that they "must not take any action, either personally or on behalf of Bank of America, which violates any law, rule, regulation or internal policy affecting Bank of America."<sup>25</sup> It further cautioned employees against money laundering, which it described as "the process by which criminals attempt to make 'dirty' money (derived from unlawful activities) look 'clean' (as if from legitimate sources) by moving it through a financial institution."<sup>26</sup>

Merrill also maintained a Code of Ethics, which applied to its Wealth Management group (and other Merrill business groups), which Iannazzo acknowledged he was a part of and therefore subject to.<sup>27</sup> The Code of Ethics informed employees that Merrill's "business is built on a foundation of trust. Maintaining the trust of [Merrill's] clients, [Bank of America] shareholders, regulators, and the general public is an employee's first obligation. Employees must comply with all applicable federal and state securities laws."<sup>28</sup> It further cautioned employees that Merrill "expect[ed] all [employees] to comply not only with the letter but also with the spirit of the requirements set forth [in the Code of Ethics]."<sup>29</sup> Iannazzo certified each year from 2014 to 2020 that he had read and understood Merrill's Code of Ethics and would comply with it "at all times."<sup>30</sup>

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<sup>22</sup> CX-20b, at 6-7, 94 (Bank of America Employee Handbook, revised 2016); CX-20, at 2, 6 (Bank of America Employee Handbook, revised July 2021).

<sup>23</sup> Tr. 632-33.

<sup>24</sup> Tr. 634-35. Bank of America's Employee Handbook also listed as an example of prohibited conduct "[m]isuse of personal accounts and banking services (e.g., checking accounts, ATMs, overdrafts, personal debit or credit cards issued through the bank)[.]" CX-20b, at 7. The Employee Handbook added that it provided only a few examples of prohibited conduct, and that the Bank of America "reserves the right to determine if conduct . . . constitutes prohibited conduct whether or not the conduct is specifically identified." CX-20b, at 8.

<sup>25</sup> CX-18a, at 16 (Bank of America Code of Conduct, revised 2015). *See also* CX-18, at 29 (Bank of America Code of Conduct, revised 2021) (Employees "must not take any action, either personally or on behalf of Bank of America that violates any law, rule, regulation or internal company policy or procedure.").

<sup>26</sup> CX-18a, at 16; CX-18, at 29.

<sup>27</sup> Tr. 657-59; CX-19, at 1. Iannazzo testified that the Code of Ethics applied to him. Tr. 660-61.

<sup>28</sup> CX-19, at 2.

<sup>29</sup> CX-19, at 1.

<sup>30</sup> Tr. 626-27; CX-23, at 1, 19, 24, 41, 47, 63, 69, 86, 92, 110, 116, 133, 139, 156.

Bank of America and Merrill also maintained a financial crimes compliance policy that described its AML policy.<sup>31</sup> The Firm’s 2016, 2018, and 2020 policies explained that banks and broker-dealers were legally obligated to file a CTR whenever a person or entity engages in one or more currency transactions that exceed \$10,000 on one business day.<sup>32</sup> The policy informed employees that any required CTRs must be filed by the financial institution with the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) within 15 days of a reportable transaction. The policy also explained the “aggregation” of transactions, meaning that multiple transactions must be treated as a single transaction “if the financial institution has knowledge that they are by or on behalf of any person and result in cash in or cash out totaling more than \$10,000 during any one business day.”<sup>33</sup>

In a section bearing the heading “Structured Transactions Prohibited,” Merrill’s 2016, 2018, and 2020 AML policy warned employees that “[n]o person may for the purposes of evading the currency transaction reporting requirements . . . [c]ause or attempt to cause a financial institution to fail to file a report . . . [or] [s]tructure or assist in structuring, or attempt to structure or assist in structuring, any transaction with one or more domestic financial institutions[.]”<sup>34</sup>

Iannazzo also received training that addressed in detail currency transaction reporting obligations and described structuring. The 2016 training materials stated,

Multiple currency transactions must be treated as a single transaction if the financial institution has knowledge that: i) they are conducted by or on behalf of the same person; and ii) they result in cash received or disbursed by the financial institution of more than \$10,000.<sup>35</sup>

They further explained that structuring can occur at more than one financial institution over one or more days, and can even encompass funds legitimately obtained.<sup>36</sup> The 2016 training materials explained that CTRs are required to be filed whether the structuring activity occurs in a Merrill client’s account or an employee’s personal account or account controlled by an employee.<sup>37</sup> The training materials cautioned employees that they were subject to disciplinary action by the Firm, including termination, for structuring activity. Iannazzo certified to Merrill

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<sup>31</sup> CX-25.

<sup>32</sup> CX-25, at 23-24, 182-83, 392-93.

<sup>33</sup> CX-25, at 24, 183, 393.

<sup>34</sup> CX-25, at 25.

<sup>35</sup> CX-27, at 6 (2016 Financial Crimes Compliance for GWIM [Global Wealth Investment Management] Participant Learning Guide).

<sup>36</sup> CX-27, at 6.

<sup>37</sup> CX-27, at 6.

that he completed the required AML or financial crimes training each year he was associated with the Firm, beginning in 2011, before the relevant period.<sup>38</sup>

In 2015 and 2019, Iannazzo received additional training about currency transaction reporting and structuring,<sup>39</sup> although the materials contained less detail than the 2016 AML training. The 2015 training materials defined for Merrill’s employees and helped them identify money laundering, potentially suspicious activity, and potential fraud.<sup>40</sup> They explained that money laundering can involve “methods such as structuring (making multiple small deposits to avoid reporting thresholds).”<sup>41</sup>

The 2019 training materials cautioned employees to watch for customer behavior that would indicate they are trying to avoid reporting requirements. They specifically identified structuring as an example of suspicious behavior: “Structuring: This is the practice of executing financial transactions (such as the making of bank deposits) in a specific pattern calculated to avoid the creation of certain records and reports required by law.”<sup>42</sup> The training materials also provided a hypothetical example of a potential financial crime involving a Bank of America client who worked as a handyman but then started to make large cash deposits that were all just under the \$10,000 reporting threshold. The training advised employees to report the activity described in the hypothetical to the bank’s financial crimes investigation unit.<sup>43</sup>

### **C. LCB Gave Iannazzo FinCEN CTR Pamphlets on Five Occasions**

Besides receiving training from his employer about transaction reporting and structuring, on five occasions, LCB specifically informed Iannazzo of the \$10,000 cash reporting threshold after he withdrew (or, in one instance, deposited) sums of cash in amounts just below \$10,000.<sup>44</sup>

According to an October 2023 LCB written response to a subpoena from the State of Connecticut Department of Banking, on June 7, 2019, an LCB employee handed Iannazzo for the first time a FinCEN CTR pamphlet with the title “Notice to Customers: A CTR Reference Guide.”<sup>45</sup> The LCB employee gave Iannazzo the pamphlet immediately after Iannazzo had

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<sup>38</sup> CX-15.

<sup>39</sup> CX-26 (2015 Financial Crimes Compliance Training for GWIM [Global Wealth Investment Management] Self Study Guide); CX-28 (2019 Financial Crimes Compliance Training).

<sup>40</sup> CX-26, at 9, 19-21.

<sup>41</sup> CX-26, at 22.

<sup>42</sup> CX-28, at 13. *See also* CX-28, at 17 (identifying suspicious behavior to include “[t]ransactions [that] are conducted to avoid reporting requirements”).

<sup>43</sup> CX-28, at 18.

<sup>44</sup> CX-33, at 7.

<sup>45</sup> CX-8, at 1; CX-33, at 7; CX-34. *See also* <https://www.fincen.gov/sites/default/files/shared/CTRPamphlet.pdf>.

withdrawn \$9,700 in cash from the LCB Account that day.<sup>46</sup> In a signed declaration, an LCB Executive Vice President for Risk Management stated that LCB had procedures in place to comply with the BSA, including “filing CTRs when appropriate.”<sup>47</sup> According to the executive, when currency activity is detected that looks like an effort to avoid the filing of a CTR, “a branch manager may ask the customer questions about the transaction to obtain further information.”<sup>48</sup> Branch employees may also provide a customer with a FinCEN pamphlet. When that happens, the bank creates a record by notifying LCB’s Risk Management Department, which monitors such notifications made to customers.<sup>49</sup>

The two-page FinCEN pamphlet informed retail banking customers like Iannazzo that,

Federal law requires financial institutions to report currency (cash or coin) transactions over \$10,000 conducted by, or on behalf of, one person, as well as multiple currency transactions that aggregate to be over \$10,000 in a single day. These transactions are reported on Currency Transaction Reports (CTRs). The federal law requiring these reports was passed to safeguard the financial industry from threats posed by money laundering and other financial crime.<sup>50</sup>

The FinCEN pamphlet also stated that “[t]here is no general prohibition against handling large amounts of currency and the filing of a CTR is required regardless of the reasons for the currency transaction.”<sup>51</sup>

The FinCEN pamphlet also answered the hypothetical question, “Can I break up my currency transactions into multiple, smaller amounts to avoid being reported to the government?” The pamphlet provided the following answer:

**No.** This is called “structuring.” Federal law makes it a crime to break up transactions into smaller amounts for the purpose of evading the CTR reporting requirement and this may lead to a required disclosure from the financial institution to the government. Structuring transactions to prevent a CTR from being reported can result in imprisonment for not more than five years and/or a fine of up to \$250,000. If structuring involves more than \$100,000 in a twelve month period or is performed while violating another law of the United States, the penalty is doubled.<sup>52</sup>

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<sup>46</sup> CX-8, at 1; CX-33, at 7.

<sup>47</sup> CX-33, at 1.

<sup>48</sup> CX-33, at 1.

<sup>49</sup> CX-33, at 1.

<sup>50</sup> CX-33, at 4; CX-34, at 1.

<sup>51</sup> CX-33, at 4; CX-34, at 1.

<sup>52</sup> CX-33, at 4; CX-34, at 1.



The FinCEN pamphlet also provided four scenarios as examples of structuring cash withdrawals and cash deposits.<sup>53</sup> Iannazzo testified that he reviewed the pamphlet when an LCB employee first handed him one and he told the person that he worked for Merrill.<sup>54</sup> Iannazzo did not call the FinCEN Resource Center help line provided on the pamphlet for persons who had questions.<sup>55</sup>

Iannazzo said that, when he received the FinCEN pamphlet, he asked to talk to a manager, but the LCB staff “did nothing.”<sup>56</sup> He testified that he did some research after receiving the pamphlet. Iannazzo reviewed his AML training notes which emphasized to him, he said, knowing your customer and the source of funds and making sure that “there is a purpose with that money” that does not involve illegal activity.<sup>57</sup>

Notwithstanding receiving the FinCEN pamphlet on June 7, 2019, Iannazzo continued to engage in large cash transactions in the LCB Account. This led LCB employees to give Iannazzo the FinCEN pamphlet on four additional occasions after he withdrew (or, in the fifth instance, deposited) a large amount of cash—on January 17 and October 1 and 9, 2020, and March 24, 2021.<sup>58</sup> From June 8, 2019, until the end of the relevant period—March 24, 2021—Iannazzo made 15 more cash withdrawals from the LCB Account ranging in daily amounts between \$7,000 and \$9,500.<sup>59</sup> From March 2020 through March 2021, Iannazzo made 22 cash deposits into the LCB Account, ranging in amounts from \$5,500 to \$9,000.<sup>60</sup>

Iannazzo also continued withdrawing cash from the ML Account using a Bank of America ATM, usually \$2,500 at a time, even after receiving the first FinCEN pamphlet.<sup>61</sup> By October 2020, LCB had already given Iannazzo the FinCEN pamphlet on four occasions.<sup>62</sup> However, in early 2021, for the first time, he began returning cash to the ML Account, rather than making only withdrawals as he had done up to that point.<sup>63</sup> From January to March 2021, he made five deposits into the ML Account in amounts ranging from \$6,400 to \$7,500.<sup>64</sup>

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<sup>53</sup> CX-33, at 5; CX-34, at 2.

<sup>54</sup> Tr. 881-83.

<sup>55</sup> Tr. 890-91.

<sup>56</sup> Tr. 893-94.

<sup>57</sup> Tr. 891-92.

<sup>58</sup> CX-33, at 7.

<sup>59</sup> CX-8, at 3-6; CX-10.

<sup>60</sup> CX-9; CX-11.

<sup>61</sup> CX-8; CX-10.

<sup>62</sup> CX-59.

<sup>63</sup> CX-11.

<sup>64</sup> CX-11.

Also, for the first time, in late 2020, Iannazzo started depositing cash into the BoA Account.<sup>65</sup> Until this point, Iannazzo had never deposited cash into (or withdrawn cash from) the BoA Account. Rather, he had used Bank of America ATMs to withdraw cash from the ML Account.<sup>66</sup> But from November 2020 to March 2021, Iannazzo deposited cash on eight occasions into the BoA Account in amounts ranging from \$7,500 to \$9,500.<sup>67</sup>

Iannazzo disputed the number of times that LCB gave him the FinCEN pamphlet. He insisted that he received one on only two or three occasions.<sup>68</sup> Given the procedures LCB had in place and the records the bank maintained, the Panel Majority finds that it is more likely that LCB provided the pamphlet on five occasions, as it formally told Connecticut banking regulators during their investigation.

On multiple occasions, according to Iannazzo, LCB personnel asked about his cash activity—in particular, where the money he was withdrawing came from.<sup>69</sup> Iannazzo told them that his money came from his accounts at Merrill, where he worked. Iannazzo also testified that he explained to LCB personnel that the cash was intended to be spent on home improvements.<sup>70</sup> Iannazzo did not tell anyone at Merrill that his bank had given him a FinCEN pamphlet on multiple occasions. He said he did not feel he needed to tell his employer because he had not been given a pamphlet before even though he had been making cash withdrawals and deposits for years.<sup>71</sup>

#### **D. Iannazzo Changed the Mailing Address for the LCB Account Monthly Statements**

In November 2014, one month before starting large cash withdrawals from the LCB Account, Iannazzo changed the mailing address for the account's monthly statements from his residential address to his Merrill office address in Stamford, Connecticut.<sup>72</sup> The first monthly statement bearing the Merrill office address covered the period ending December 8, 2014.<sup>73</sup> All of Iannazzo's LCB monthly statements for the remainder of the relevant period were addressed

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<sup>65</sup> Tr. 244-46; CX-11.

<sup>66</sup> Tr. 244-49.

<sup>67</sup> CX-11.

<sup>68</sup> Tr. 891-93.

<sup>69</sup> Tr. 866-70.

<sup>70</sup> Tr. 866-70.

<sup>71</sup> Tr. 892-93.

<sup>72</sup> CX-43, at 1-2.

<sup>73</sup> CX-43, at 2. The November 8 to December 8, 2014 bank account statement recorded Iannazzo's first large cash withdrawal from the LCB Account—\$9,500 withdrawn on December 8. CX-43, at 2.

to the Merrill branch office address.<sup>74</sup> Iannazzo testified that he remembered receiving the LCB monthly account statements at the Merrill office throughout the relevant period.<sup>75</sup>

Iannazzo understood that an employee activity review team at Merrill monitored cash transactions in the ML Account.<sup>76</sup> But, as Iannazzo eventually acknowledged, the Firm had no obligation to review his outside bank accounts.<sup>77</sup> He said his LCB Account “bank statements were not required to be provided” to Merrill.<sup>78</sup>

Nonetheless, Iannazzo testified that he wanted to be “extra transparent” with Merrill and “keep them in the loop,” and, therefore, changed the LCB Account mailing address so that Merrill would receive copies of his monthly account statements and know what he was doing with the LCB Account.<sup>79</sup> Iannazzo explained he believed he was being “transparent” because he expected that, when Merrill received copies of the LCB Account monthly statements, the Firm would open the envelopes and examine the statements.<sup>80</sup> He said he “just expected [Merrill] to take a look at [the bank account statements] and figure[d] that there was not going to be any issues.”<sup>81</sup> The LCB Account statements were only one page long so he “didn’t think there was going to be any issue with” the Firm reviewing the statements.<sup>82</sup> Iannazzo believed that Merrill “had a responsibility to supervise and monitor everything that [he] was doing” because it also monitored employee emails, telephone conversations, and outside business activities.<sup>83</sup> When asked why, if he wanted to be “transparent,” he did not simply tell his supervisor about large cash transactions at LCB as they occurred, he answered that he did not think the supervisor wanted to be bothered.<sup>84</sup> He also said that because Merrill had already approved his sending money from his various Merrill accounts to fund the LCB Account, he did not need to tell the Firm he was taking money out of the LCB Account.<sup>85</sup>

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<sup>74</sup> CX-43, at 240.

<sup>75</sup> Tr. 1174-76, 1190-94.

<sup>76</sup> Tr. 1364-67; JX-5, at 1.

<sup>77</sup> Tr. 625-26.

<sup>78</sup> Tr. 626.

<sup>79</sup> Tr. 1368, 1439.

<sup>80</sup> Tr. 1440.

<sup>81</sup> Tr. 1438.

<sup>82</sup> Tr. 1440. Iannazzo also testified that, in the event a supervisor saw large cash transactions in his LCB Account monthly statement, the supervisor would do nothing because the person knew Iannazzo and would know the source of the funds and that they did not involve illegal activity. Tr. 1443-44.

<sup>83</sup> Tr. 1441-42.

<sup>84</sup> Tr. 1444-45.

<sup>85</sup> Tr. 1445.

Lisa Feld was Iannazzo’s supervisor at the Stamford branch.<sup>86</sup> Feld has worked for Merrill for 45 years and is a Senior Market Supervising Manager covering southern Connecticut.<sup>87</sup> She disputed that Iannazzo received LCB statements at the Merrill office. She testified that Merrill does not supervise employees’ outside bank accounts.<sup>88</sup> Furthermore, Merrill had in place a policy—which she was responsible for enforcing—prohibiting its employees from receiving personal mail at the office.<sup>89</sup> Feld reviewed incoming mail daily after it was delivered to a secured area in the office, where incoming mail was opened and time-stamped.<sup>90</sup> Feld testified that she never saw any of Iannazzo’s LCB Account statements. In fact, she could not recall any occasion where a Firm employee had personal bank accounts statements mailed to the office.<sup>91</sup> Feld credibly testified that she would have remembered if Iannazzo received a bank statement because it would have been “something . . . unusual that typically is not coming [into] the office.”<sup>92</sup> Had she seen a personal bank account statement sent to Iannazzo at the office, Feld would have reminded him of the policy and made sure he changed the address.<sup>93</sup>

After Feld testified, during the ten-week break between the first and second hearing sessions, on July 10, 2024, Iannazzo produced for the first time a copy of a single LCB Account statement, covering activity in May 2021, that he represented had been time-stamped by Merrill.<sup>94</sup> Iannazzo did not produce it to Enforcement during the investigation.<sup>95</sup> He testified that after hearing Feld’s testimony, he went through his papers and discovered only one time-stamped statement.<sup>96</sup> He produced no other time-stamped LCB monthly statements.<sup>97</sup> The time stamp on the LCB Account statement differed in form, size, and appearance from the Merrill time stamp

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<sup>86</sup> Tr. 704-05.

<sup>87</sup> Tr. 702-03.

<sup>88</sup> Tr. 712.

<sup>89</sup> Tr. 705-07.

<sup>90</sup> Tr. 705-06.

<sup>91</sup> Tr. 712.

<sup>92</sup> Tr. 711.

<sup>93</sup> Tr. 711-12.

<sup>94</sup> Tr. 1186; Second Joint Stipulation (“Second Stip.”) (Aug. 7, 2024) 1; Respondent’s Exhibit (“RX- ”) 9. Because Feld was unavailable on other days of the hearing, Enforcement called her to testify out of order on May 22, 2024—while Iannazzo was still being questioned by Enforcement. Iannazzo produced the newly found LCB Account statement to Enforcement in July 2024, before the hearing resumed on August 6, 2024, when Enforcement resumed its questioning of him.

<sup>95</sup> Iannazzo also did not identify the time-stamped bank statement as a potential exhibit in his pre-hearing submissions. The Hearing Officer admitted it into evidence over Enforcement’s objections. Tr. 1183-85. Iannazzo testified that during the investigation he produced to Enforcement copies of his LCB Account monthly statements by printing them out after accessing his account on LCB’s website. Tr. 1436-37.

<sup>96</sup> Tr. 1435-36.

<sup>97</sup> Second Stip. 1.

that appeared on two other documents admitted into evidence—a check deposit slip and a letter from the U.S. Department of Justice (“DOJ”).<sup>98</sup> Iannazzo was not able to explain why the time stamp on the LCB Account statement was different other than to suggest that Merrill may have had more than one type of time stamp machines.<sup>99</sup>

The Panel Majority found Feld to be a credible witness, and it credits her testimony that she never saw any of Iannazzo’s LCB Account monthly statements arrive by mail at Merrill’s Stamford office. Further, given the suspicious circumstances surrounding Iannazzo’s belated discovery of a single LCB Account monthly statement purportedly bearing a Merrill time stamp, the Panel Majority has serious doubts about the authenticity of that document. However, regardless of whether the LCB Account statements were in fact mailed to Iannazzo’s Merrill office address, the Panel Majority finds that Merrill had no obligation to review them, as both Iannazzo and Feld testified.<sup>100</sup>

#### **E. Iannazzo Claimed He Felt Unsafe Carrying More than \$10,000 in Cash**

At the hearing, Iannazzo offered explanations for why he withdrew cash in amounts just below the \$10,000 CTR threshold. He testified that he withdrew amounts below the reporting threshold because he feared being robbed, specifically by persons in the bank who might see him with a large amount of cash.<sup>101</sup> During the investigation, Iannazzo told Enforcement that he “never carried around . . . more than [\$8,000] or \$9,000 in [his] pocket. I just didn’t.”<sup>102</sup> He testified that an amount below \$10,000 “felt like this was a safe way for me to [use cash]. I had issues in the past that were related to some sort of a theft. I didn’t feel comfortable.”<sup>103</sup> Iannazzo’s “metric” for the amount of money he felt “comfortable” carrying at any one time was the value of his wristwatches for which he said he paid \$8,800 and \$9,200 in about 2012 and 2018.<sup>104</sup> “So I use that [value] as a feeling of if they are going to take something from me, I use

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<sup>98</sup> Tr. 1415-18; RX-4; RX-9; RX-10.

<sup>99</sup> Tr. 1435. Iannazzo also obtained a letter from LCB dated May 2, 2024, stating that the bank mailed statements to the Merrill office address in Stamford, Connecticut, beginning in November 2014 until his account was closed. RX-8.

<sup>100</sup> Tr. 625-26, 712. After hearing the apparently conflicting testimony from Feld and Iannazzo about the LCB Account statements, the Hearing Officer, after conferring with the other members of the Hearing Panel, preliminarily informed the parties that the Hearing Panel may want to ask Feld additional questions. Tr. 1017-18. After further consideration, and after hearing additional testimony from Iannazzo, the Hearing Panel determined that it did not need to recall Feld for additional questioning. Tr. 1458.

<sup>101</sup> Tr. 935.

<sup>102</sup> Tr. 931.

<sup>103</sup> Tr. 1210. *See also* Tr. 927-29.

<sup>104</sup> Tr. 1210-11. *See also* Tr. 932-35; RX-2.

that as my value. I didn't know any other thought process.”<sup>105</sup> He was unaware of the \$10,000 reporting threshold, he said,<sup>106</sup> until 2021, when it was a “new concept” for him.<sup>107</sup>

Neither Iannazzo nor his wife was ever robbed. But he testified that on “four or five different occasions” their credit cards were used or stolen.<sup>108</sup> According to Iannazzo, his wife’s car was broken into and “stuff was taken.”<sup>109</sup> On a different occasion, in early 2016, his wife’s purse was purportedly stolen. According to Iannazzo, her identification and a bank card were then used by a person wearing a blond wig posing as her to withdraw \$6,500 from their bank’s drive through ATM, which was captured on video surveillance.<sup>110</sup>

On days that he withdrew more than \$10,000 from the LCB Account and the ML Account, Iannazzo claimed that he would drive home after the first withdrawal to leave the cash there. He would then drive to the other financial institution to make the second withdrawal.<sup>111</sup> Iannazzo claimed that he did this even on those occasions when his withdrawals from the two accounts occurred less than 30 minutes apart.<sup>112</sup>

#### **F. Iannazzo’s Cash Withdrawals and Deposits**

Iannazzo began construction of a new home in Southport, Connecticut in 2014. His family moved into the home in July 2015, while construction continued.<sup>113</sup> In 2017, Iannazzo added a pool to the property.<sup>114</sup> In late 2019, he decided to build a combined pool house and in-law suite.<sup>115</sup> In March 2020, Iannazzo delayed construction of the pool house because it was difficult to find vendors who would work during the COVID-19 pandemic.<sup>116</sup> In about October 2020, Iannazzo re-started construction on the pool house but a month later, in November, he cancelled the pool house project.<sup>117</sup>

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<sup>105</sup> Tr. 1211.

<sup>106</sup> Tr. 601-02.

<sup>107</sup> Tr. 620.

<sup>108</sup> Tr. 1211.

<sup>109</sup> Tr. 1211-12.

<sup>110</sup> Tr. 1212-14; RX-1.

<sup>111</sup> Tr. 929-31.

<sup>112</sup> CX-12.

<sup>113</sup> Compl. ¶ 23; Ans. ¶ 23.

<sup>114</sup> Compl. ¶ 23; Ans. ¶ 23.

<sup>115</sup> Compl. ¶ 23; Ans. ¶ 23.

<sup>116</sup> Compl. ¶ 30a; Ans. ¶ 30a; Tr. 1067.

<sup>117</sup> Compl. ¶¶ 30c and 30d; Ans. ¶¶ 30c and 30d.

Iannazzo testified that he expected the home improvement projects would cost more than \$200,000 each and he anticipated paying for a significant portion of the costs in cash.<sup>118</sup> And he did make some payments for construction and renovation in cash.<sup>119</sup> Iannazzo testified that he received discounts from vendors, and they gave his projects priority, when he paid in cash.<sup>120</sup>

To obtain the cash, Iannazzo primarily used two accounts: the LCB Account and the ML Account. The ML Account was linked to an ATM or debit card that he used at local Bank of America ATMs.<sup>121</sup> Iannazzo testified that he used Bank of America ATMs because they were convenient and non-Bank of America ATMs charged \$3 per transaction.<sup>122</sup> Iannazzo would typically fund the LCB Account and the ML Account from other Merrill securities accounts, most frequently a joint investment and cash management account that he used for the direct deposit of his paycheck.<sup>123</sup> Using the Merrill joint investment account, between December 2014 and March 2021, Iannazzo made about 34 money transfers, including checks and wires, totaling over \$460,000 to the LCB Account and the ML Account.<sup>124</sup>

Using the three accounts—the LCB Account, the ML Account, and the BoA Account—Iannazzo made 368 cash withdrawals and deposits totaling \$845,890 from December 7, 2014, to March 24, 2021.<sup>125</sup> This activity occurred during four extended periods during which he almost exclusively withdrew large sums of cash from the LCB Account and the ML Account, alternating with three periods during which he re-deposited large amounts of unspent cash into those accounts. From early December 2014 to May 2016—a period of about 18 months—Iannazzo withdrew \$149,250 in cash from the LCB Account and the ML Account.<sup>126</sup> After a six-month pause, in late October 2016, he resumed withdrawing cash. During the next 11 months,

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<sup>118</sup> Tr. 776-78.

<sup>119</sup> Compl. ¶ 24; Ans. ¶ 24.

<sup>120</sup> Ans. at 2-3 (Preliminary Statement).

<sup>121</sup> Tr. 142-46; Stip. ¶ 8; CX-6; CX-7; CX-8; CX-9; CX-10; CX-11.

<sup>122</sup> Tr. 1217-18.

<sup>123</sup> CX-2. *See also, e.g.*, CX-6; CX-8.

<sup>124</sup> CX-2.

<sup>125</sup> Enforcement also proved, but did not allege in the Complaint, that Iannazzo effected an additional 24 cash transactions (20 cash withdrawals and four cash deposits), totaling \$53,480, in the same accounts (including two cash deposit transactions made one month after the end of the relevant period, in April 2021). *See* Tr. 156; CX-6, at 3-4, 8; CX-7; CX-8, at 2; CX-11, at 2; CX-41, at 99; CX-42, at 192, 201, 586; CX-43, at 98, 113, 146, 240.

<sup>126</sup> CX-1; CX-6, at 1-4. The \$149,250 in cash that Iannazzo withdrew from December 2014 to May 2016 excludes \$6,700 in cash withdrawals that he made from the ML Account on November 20 and December 1, 2, and 4, 2015, identified in CX-6, at 3-4, because these transactions were not alleged in the Complaint. *See* Compl. Attach. A.

from late October 2016 to September 2017, Iannazzo withdrew \$142,000 in cash from the two accounts.<sup>127</sup>

This extended period of withdrawals, spanning nearly three years, was followed by a brief period during which Iannazzo returned cash to the LCB Account. In early January 2018, Iannazzo deposited \$17,000 in cash into the LCB Account.<sup>128</sup>

After another extended pause, Iannazzo began to withdraw cash again. From June 2019 to January 2020, he withdrew \$164,150 in cash from the LCB Account and the ML Account.<sup>129</sup> This was followed by a six-month period—March 2020 to August 2020—during which he deposited \$89,150 in cash into the LCB Account.<sup>130</sup>

In September 2020, Iannazzo resumed his cash withdrawal activity. In just over a month, he withdrew \$84,000 in cash from the LCB Account and the ML Account.<sup>131</sup>

Iannazzo made his final series of cash deposits beginning in November 2020. From November 2020 to March 24, 2021 (the last day of the relevant period), he deposited \$200,340 in cash into the LCB Account, the ML Account, and—for the first time—the BoA Account.<sup>132</sup>

Below, the Panel Majority addresses each period of Iannazzo’s cash withdrawal and deposit activity.

### **1. Iannazzo Withdrew \$149,250 in Cash (December 2014 to May 2016)**

From December 7, 2014, to May 11, 2016, Iannazzo withdrew \$149,250 in cash—\$107,650 from the LCB Account and \$41,600 from the ML Account.<sup>133</sup>

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<sup>127</sup> CX-1; CX-6, at 4-9. The \$142,000 in cash that Iannazzo withdrew from October 2016 to September 2017 excludes a \$5,200 cash withdrawal from the LCB Account on May 25, 2017, that is identified in CX-6, at 8, because this transaction was not alleged in the Complaint. *See* Compl. Attach. A.

<sup>128</sup> CX-1; CX-7. The \$17,000 in cash that Iannazzo deposited in early January 2018 into the LCB Account excludes two deposits of \$8,000 and \$9,580, made on October 22, 2017 and September 24, 2018, respectively, that are listed in CX-7, because these two transactions were not alleged in the Complaint. *See* Compl. Attach. A.

<sup>129</sup> CX-1; CX-8. The \$164,150 in cash that Iannazzo withdrew from June 2019 to January 2020 does not include \$7,500 he withdrew from the ML Account on July 29, 2019, listed in CX-8, at 2, because this transaction was not alleged in the Complaint. *See* Compl. Attach. A.

<sup>130</sup> CX-1; CX-9.

<sup>131</sup> CX-1; CX-10.

<sup>132</sup> CX-1; CX-11. The \$200,340 in cash that Iannazzo deposited from November 2020 to March 2021 excludes two deposits listed in CX-11, at 2—an \$8,000 deposit made into the BoA Account in early April 2021 and an \$8,500 deposit made into the LCB Account in late April 2021—because these transactions fell outside the relevant period and were not alleged in the Complaint. *See* Compl. Attach. A.

<sup>133</sup> CX-1; CX-6, at 1-4.



Below are some examples of the cash transactions Iannazzo made during the 18-month period from December 2014 to May 2016.

#### *December 2014 Transactions*

From December 7 through December 19, 2014, Iannazzo withdrew \$25,200 from the two accounts.<sup>134</sup> Using a Bank of America ATM on December 7, he withdrew \$2,500 from the ML Account in three transactions of \$1,000, \$1,000, and \$500.<sup>135</sup> He did this because Bank of America limited cash withdrawals from its ATMs to \$2,500 per day and \$1,000 per transaction.<sup>136</sup> Therefore, to obtain the maximum daily limit, Iannazzo usually made two \$1,000 withdrawals and one \$500 withdrawal.<sup>137</sup> He typically used a walk-up ATM at Bank of America locations rather than a drive-through ATM.<sup>138</sup> Iannazzo acknowledged that he could have gone inside to use a teller instead of an ATM “if [he] wanted to,” but he did not think about doing that, he said.<sup>139</sup>

The next day, December 8, 2014, Iannazzo withdrew \$9,500 in cash from his LCB Account using a teller.<sup>140</sup> Iannazzo typically received the cash in \$100 bills, and occasionally \$50 bills, which the teller would give him in two envelopes that he would place in his pockets.<sup>141</sup> Four days later, on December 12, Iannazzo withdrew \$2,500 from his ML Account using a Bank of America ATM (again in three transactions of \$1,000, \$1,000, and \$500).<sup>142</sup> On December 16, he instead withdrew just \$2,400 from the ML Account using a Bank of America ATM (in three cash transactions of \$800).<sup>143</sup> He withdrew another \$2,500 from the ML Account the next day, December 17.<sup>144</sup> Over the following three days, Iannazzo withdrew \$5,800 in cash from his ML Account.<sup>145</sup>

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<sup>134</sup> CX-6, at 1.

<sup>135</sup> CX-6, at 1.

<sup>136</sup> Tr. 899-900; CX-57, at 1, 30, 33.

<sup>137</sup> Tr. 146, 901-03.

<sup>138</sup> Tr. 900-01.

<sup>139</sup> Tr. 901.

<sup>140</sup> Tr. 151-53; CX-6, at 1. Iannazzo generally used a teller when he withdrew money from his LCB Account. Tr. 152, 244.

<sup>141</sup> Tr. 937-38.

<sup>142</sup> CX-6, at 1.

<sup>143</sup> CX-6, at 1.

<sup>144</sup> The ML Account statements show that the transaction date of the \$2,500 withdrawal was December 16, but the transaction cleared the account on the next business day—December 17, 2014. CX-6, at 1; CX-42, at 102-03.

<sup>145</sup> CX-6, at 1. To fund the three withdrawals of \$5,800 on December 17-19, 2014, Iannazzo transferred \$5,000 from his and his wife’s joint account at Merrill. Iannazzo testified that he typically kept a low balance in the ML Account, and he transferred the money because he was anticipating needing to withdraw cash for a home project. Tr. 1218-20;

### *March 2015 Transactions*

After the December 2014 transactions, Iannazzo did not withdraw cash for another few months. On March 4, 2015, he deposited a \$20,000 check drawn on the Merrill joint account with his wife into the LCB Account.<sup>146</sup> Over the next two days, Iannazzo withdrew \$12,450 in cash from the LCB Account—\$2,950 on March 5 and \$9,500 on March 6.<sup>147</sup> As a result of the \$20,000 deposit, Iannazzo had enough funds in the LCB Account to make a single \$12,450 cash withdrawal.<sup>148</sup>

### *September-October 2015 Transactions*

After March 2015, Iannazzo did not make large cash withdrawals again until early in the following October. In late September 2015, he first deposited an \$18,000 check drawn on the ML Account into the LCB Account.<sup>149</sup> Iannazzo testified that this deposit was in anticipation of paying between \$50,000 and \$55,000 for the installation of an HVAC unit, \$20,000 of which the contractor wanted in cash.<sup>150</sup>

In late September and early October 2015, Iannazzo also transferred \$30,000 into the ML Account from a joint Merrill account.<sup>151</sup> On October 5 and 6, he withdrew \$2,500 and \$2,400, respectively, from the ML Account using a Bank of America ATM.<sup>152</sup> Then, on October 7, he withdrew \$9,000 from the LCB Account and \$2,500 from the ML Account.<sup>153</sup> The next day, he withdrew a total of \$10,000 in cash—\$7,500 from the LCB Account and \$2,500 from ML Account.<sup>154</sup> On October 9, 2015, Iannazzo withdrew a total of \$11,500 in cash—\$9,000 from the LCB Account and \$2,500 from the ML Account.<sup>155</sup>

In October 2015, he withdrew a total of \$25,500 from the LCB Account. As noted above, because he had deposited \$18,000 in the LCB Account in late September 2015, Iannazzo had sufficient funds—over \$26,000—in the account to withdraw \$25,500 in cash in one

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CX-6, at 1; CX-42, at 102. Some withdrawal transactions appear to have been made after hours and therefore cleared the ML Account the next business day. *See* Tr. 147; CX-42, at 103.

<sup>146</sup> CX-6, at 1.

<sup>147</sup> CX-6, at 1.

<sup>148</sup> Tr. 943-44.

<sup>149</sup> CX-6, at 2.

<sup>150</sup> Tr. 1230-31.

<sup>151</sup> CX-6, at 2.

<sup>152</sup> CX-6, at 2.

<sup>153</sup> CX-6, at 2.

<sup>154</sup> CX-6, at 2.

<sup>155</sup> CX-6, at 2.

transaction.<sup>156</sup> Iannazzo testified that he withdrew cash from both the LCB Account and the ML Account in early October 2015 in order “to keep [his] projects separate.”<sup>157</sup>

#### *November 2015 Transactions*

On October 30, 2015, Iannazzo deposited a \$35,000 check drawn on his Merrill 401(k) account into the LCB Account.<sup>158</sup> Immediately thereafter, during the first few weeks of November, Iannazzo withdrew a total of \$25,500 from the LCB Account. Specifically, on November 7, he withdrew \$8,000 in cash from the LCB Account and then on November 18 and 19, he withdrew another \$9,000 and \$8,500.<sup>159</sup> Because he had funded the LCB Account, Iannazzo could have made a single cash withdrawal of \$25,500 instead of three separate ones.

Additionally, after transferring \$7,500 into the ML Account from another Merrill account on November 17, Iannazzo withdrew \$2,500 in cash each day from the ML Account on November 18 and 19. In total, he withdrew \$11,500 and \$11,000 in cash from the LCB Account and the ML Account on those two days.<sup>160</sup>

#### *December 2015 Transactions*

On December 3, 2015, Iannazzo withdrew a total of \$10,500 in cash—\$8,000 from the LCB Account and \$2,500 from the ML Account.<sup>161</sup> The next day, December 4, he withdrew another \$7,500 from the LCB Account.<sup>162</sup> Because Iannazzo had sufficient funds in the LCB Account, he could have made a single cash withdrawal of \$15,500 from the account instead of dividing the transaction into these two withdrawals.<sup>163</sup>

#### *May 2016 Transactions*

After December 2015, Iannazzo did not make large cash withdrawals again until early May 2016, when he withdrew \$16,200 in cash from the two accounts in a series of smaller transactions. During a nine-day period, from May 3 to May 11, 2016, he withdrew \$10,200 from the LCB Account and \$6,000 from the ML Account.<sup>164</sup>

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<sup>156</sup> CX-6, at 2.

<sup>157</sup> Tr. 950.

<sup>158</sup> CX-6, at 2.

<sup>159</sup> CX-6, at 2-3.

<sup>160</sup> CX-6, at 3.

<sup>161</sup> CX-6, at 3.

<sup>162</sup> CX-6, at 4.

<sup>163</sup> CX-6, at 3-4.

<sup>164</sup> CX-6, at 4.

## 2. Iannazzo Withdrew \$142,000 in Cash (October 2016 to September 2017)

After replenishing the LCB Account and the ML Account in late October 2016 with funds from his various Merrill accounts, Iannazzo resumed making large cash withdrawals. From October 31, 2016, to September 20, 2017, he withdrew \$142,000 in cash—\$61,100 from the LCB Account and \$80,900 from the ML Account.<sup>165</sup> Below are examples of some of the more significant cash transactions Iannazzo made between October 2016 and September 2017.

### *October-November 2016 Transactions*

Daily, from October 31 through November 3, 2016, Iannazzo withdrew \$2,500 from the ML Account, totaling \$10,000.<sup>166</sup> On November 3, he also withdrew \$9,000 in cash from the LCB Account, which, when combined with the \$2,500 ML Account withdrawal, resulted in withdrawals totaling \$11,500 that day from the two accounts.<sup>167</sup>

### *December 2016-January 2017 Transactions*

Over a three-week period from December 28, 2016, to January 17, 2017, Iannazzo withdrew \$39,600 in cash—\$17,800 from the LCB Account and \$21,800 from the ML Account.<sup>168</sup> On January 9, 2017, he funded the LCB Account with an \$18,000 check from the ML Account, and then withdrew \$8,700 and \$9,100 in cash on January 13 and 17, respectively.<sup>169</sup> On those two days, Iannazzo also withdrew \$2,400 each day (in three \$800 cash transactions) from the ML Account using a Bank of America ATM. Therefore, on January 13 and 17, 2017, he withdrew more than \$10,000 from the two accounts each day.<sup>170</sup>

### *March 2017 Transactions*

Two months later, in March 2017, Iannazzo resumed his cash activity. After funding the LCB Account and the ML Account with \$17,500 and \$25,000, respectively, from his other Merrill accounts on March 3, 2017, over a period of ten days—from March 8 through March 17—Iannazzo withdrew a total of \$28,800 from the two accounts.<sup>171</sup> On two days (March 9 and March 17), his cash withdrawals exceeded \$10,000 per day. He withdrew \$11,200 in cash on

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<sup>165</sup> CX-6, at 4-9.

<sup>166</sup> CX-6, at 4-5.

<sup>167</sup> CX-6, at 5.

<sup>168</sup> CX-6, at 5-6.

<sup>169</sup> CX-6, at 5-6. Because he had funded the LCB Account with \$18,000 a few days earlier, the account had a sufficient balance to permit Iannazzo to withdraw \$17,800 in one cash transaction. CX-6, at 5-6.

<sup>170</sup> CX-6, at 6.

<sup>171</sup> CX-6, at 6-7.

March 9 (\$8,800 from the LCB Account and \$2,400 from the ML Account) and \$10,400 on March 17 (\$8,000 from the LCB Account and \$2,400 from the ML Account).<sup>172</sup>

#### *April-June 2017 Transactions*

From April to June 2017, Iannazzo made more large cash withdrawals. During this period, he withdrew \$39,800 in cash from the two accounts.<sup>173</sup> On one day, May 2, 2017, he withdrew \$10,900 in cash—\$8,500 from the LCB Account and \$2,400 from the ML Account.<sup>174</sup> Since Iannazzo had a balance of more than \$14,000 in the LCB Account that day, he could have withdrawn the entire \$10,900 from that account in one cash transaction.<sup>175</sup>

#### *September 2017 Transactions*

In September 2017, Iannazzo withdrew a total of \$20,000 in cash, using mostly the ML Account.<sup>176</sup> On one day, September 20, 2017, he withdrew \$10,400 in cash from the two accounts—\$9,000 from the LCB Account and \$1,400 from the ML Account.<sup>177</sup>

### **3. Iannazzo Deposited \$17,000 in Cash (January 2018)**

After a series of large cash withdrawals that ended in September 2017, Iannazzo then deposited cash into the LCB Account. In January 2018, he deposited \$17,000 in cash into the LCB Account.<sup>178</sup> Iannazzo testified that the cash represented “surplus” or “excess” money from unfinished work on his residence that he kept in his personal safe.<sup>179</sup>

On January 5, 2018, Iannazzo made two cash deposits into the LCB Account—one for \$5,000 and another for \$3,500.<sup>180</sup> Iannazzo testified that the money was a Christmas gift his parents had given him and his wife. He made the cash deposits separately “to just make it look separate, so that we could understand whose money got what [sic].”<sup>181</sup> According to Iannazzo, his wife was with him so she could make the \$3,500 deposit into the LCB Account, which was

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<sup>172</sup> CX-6, at 6-7.

<sup>173</sup> CX-6, at 7-8.

<sup>174</sup> CX-6, at 8.

<sup>175</sup> CX-6, at 8. The LCB Account had a balance of more than \$14,000 on May 2 because Iannazzo had deposited a \$13,000 check from the ML Account on April 28, 2017. CX-6, at 7.

<sup>176</sup> CX-6, at 9.

<sup>177</sup> CX-6, at 9.

<sup>178</sup> CX-1; CX-7.

<sup>179</sup> Tr. 973, 1249-50.

<sup>180</sup> CX-7.

<sup>181</sup> Tr. 974.

the amount of her Christmas gift. “I know it sounds kind of odd but it is just the way we did things,” Iannazzo testified.<sup>182</sup>

A week later, on January 12, 2018, Iannazzo deposited \$8,500 in cash in the LCB Account.<sup>183</sup> Iannazzo testified that he made deposits in amounts below \$10,000 because they were his “comfort level” and he did not want to carry around more cash than the value of his \$9,000 Breitling watch.<sup>184</sup> He selected the deposit amount “that [he] felt comfortable with going to the bank and depositing it the same way [he] took it out.”<sup>185</sup> Iannazzo testified that even though the amounts were just below \$10,000, he had “nothing to hide with a CTR filing.”<sup>186</sup>

#### **4. Iannazzo Withdrew \$164,150 in Cash (June 2019 to January 2020)**

After making the January 2018 cash deposits into the LCB Account,<sup>187</sup> Iannazzo made no large cash withdrawals again until June 2019.<sup>188</sup> During a seven-month period from June 4, 2019, to January 17, 2020, Iannazzo withdrew \$164,150 in cash—\$85,600 from the LCB Account and \$78,550 from the ML Account.<sup>189</sup>

Below are examples of the larger cash transactions that Iannazzo made during the seven-month period from June 2019 to January 2020.

##### *June 2019 Transactions*

On June 4, 2019, Iannazzo deposited a \$10,000 check drawn on a Merrill joint account into the LCB Account, increasing the balance to nearly \$13,000.<sup>190</sup> The same day, he withdrew \$2,800 in cash from the LCB Account, and three days later, on June 7, he withdrew \$9,700 in cash.<sup>191</sup> Because the LCB Account had nearly \$13,000 in it, Iannazzo could have withdrawn all \$12,500 in one transaction.

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<sup>182</sup> Tr. 1250.

<sup>183</sup> CX-7.

<sup>184</sup> Tr. 975.

<sup>185</sup> Tr. 975-76.

<sup>186</sup> Tr. 976.

<sup>187</sup> After Iannazzo completed making the three cash deposits into the LCB Account in January 2018, months later, in late September 2018, he moved some of the money from the LCB Account to his Merrill joint account with his wife by writing a \$15,000 check. Tr. 976-77, 1250-52; CX-7; RX-10.

<sup>188</sup> CX-1; CX-8.

<sup>189</sup> CX-1; CX-8.

<sup>190</sup> CX-8, at 1.

<sup>191</sup> CX-8, at 1.

Also, on June 4, 2019, Iannazzo withdrew \$2,500 in cash from the ML Account using a Bank of America ATM and did so again on June 6.<sup>192</sup> After business hours on June 6, beginning at 8:39 p.m.,<sup>193</sup> he withdrew another \$2,500 from the ML Account.<sup>194</sup> Therefore, with these withdrawals, Iannazzo obtained \$7,500 in cash from the ML Account from June 4 to June 6.

On June 7, the day Iannazzo withdrew \$9,700 from the LCB Account, he had already withdrawn a few minutes earlier the daily maximum of \$2,500 from the ML Account using a Bank of America ATM.<sup>195</sup> He completed withdrawing the cash (in three transactions of \$1,000, \$1,000, and \$500) from the ATM at about 9:56 a.m. on June 7. Approximately eight minutes later, at 10:04 a.m., he withdrew the \$9,700 from his LCB Account.<sup>196</sup>

According to Iannazzo, because he felt uncomfortable carrying more than \$9,000, he went home immediately after withdrawing \$2,500 in cash from the Bank of America ATM to place the money in the safe. He testified that the drive from this particular ATM to his home takes three and a half minutes, not the six minutes that Enforcement estimated.<sup>197</sup> Iannazzo testified that he had a routine on certain days of the week which was to first pick up breakfast from a local restaurant, withdraw cash, and then drive home to give the food and cash to his wife.<sup>198</sup> Iannazzo testified that, after dropping off the cash, on this occasion—on June 7, 2019—because it was a Friday, he “believes” he stuck to his routine and proceeded from home to the LCB branch to withdraw \$9,700 in cash.<sup>199</sup> According to Iannazzo, he made two separate withdrawals on this day because he had “another project that [he] need[ed] to do.”<sup>200</sup>

After Iannazzo withdrew the \$9,700 in cash from the LCB Account on June 7, 2019, an LCB employee handed Iannazzo for the first time a FinCEN pamphlet.<sup>201</sup> After receiving his

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<sup>192</sup> CX-8, at 1.

<sup>193</sup> CX-8, at 1. Bank of America and Merrill were able to provide FINRA with the time of day for ATM transactions and the location of the ATM for transactions occurring on or after June 6, 2019. They were unable to provide such information for transactions that occurred before June 6, 2019. Tr. 177. Enforcement asked for times of day of the Bank of America ATM transactions only for those days that Iannazzo also withdrew cash from the LCB Account. Tr. 178.

<sup>194</sup> CX-8, at 1.

<sup>195</sup> CX-8, at 1.

<sup>196</sup> CX-8, at 1.

<sup>197</sup> Tr. 261-63, 1210, 1307-08; CX-8, at 1; CX-12, at 1-3.

<sup>198</sup> Tr. 1309-10.

<sup>199</sup> Tr. 1309-12.

<sup>200</sup> Tr. 1313.

<sup>201</sup> CX-8, at 1; CX-33, at 7.

first FinCEN pamphlet, Iannazzo did not withdraw cash again from the LCB Account until late September 2019.<sup>202</sup>

### *September 2019 Transactions*

From September 14 to September 19, 2019, Iannazzo withdrew either \$2,400 or the \$2,500 daily maximum on six occasions from the ML Account using a Bank of America ATM, totaling \$14,900.<sup>203</sup>

On September 19, 2019, he wired \$8,000 to the LCB Account from the Merrill joint account.<sup>204</sup> The next day, September 20, at approximately 1:15 p.m., Iannazzo completed the withdrawal of \$2,500 in cash from the ML Account at a Bank of America ATM.<sup>205</sup> Twenty-two minutes later, at about 1:37 p.m., he withdrew \$8,100 in cash from the LCB Account.<sup>206</sup> Therefore, in less than 30 minutes on September 20, 2019, Iannazzo obtained \$10,600 in cash from the LCB Account and the ML Account.

Iannazzo testified that 22 minutes was “absolutely” enough time for him to first go home, drop off the \$2,500, and then go the LCB branch to withdraw \$8,100.<sup>207</sup> Because it was a Friday, according to Iannazzo, he needed to pay his landscapers, and he said that he brought the landscapers food from a particular restaurant he knew they liked.<sup>208</sup>

### *October-November 2019 Transactions*

In mid-October 2019, Iannazzo replenished the LCB Account by depositing a \$29,992.50 check drawn on his 401(k) account at Merrill.<sup>209</sup> On November 12, 2019, Iannazzo transferred \$20,000 to the ML Account from a joint account he held with his wife at Merrill. The same day, he withdrew \$2,500 in cash from the ML Account.<sup>210</sup>

The next day, November 13, at approximately 8:51 a.m., Iannazzo withdrew \$8,000 from the LCB Account. About 13 minutes later, at approximately 9:04 a.m., Iannazzo withdrew

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<sup>202</sup> CX-8, at 3.

<sup>203</sup> CX-8, at 2-3.

<sup>204</sup> CX-8, at 2.

<sup>205</sup> CX-8, at 3.

<sup>206</sup> CX-8, at 3; CX-12, at 7.

<sup>207</sup> Tr. 1313-14.

<sup>208</sup> Tr. 1314.

<sup>209</sup> CX-8, at 3.

<sup>210</sup> CX-8, at 3.



\$2,500 in cash from the ML Account using a Bank of America ATM.<sup>211</sup> Therefore, in less than 30 minutes, he withdrew \$10,500 from the two accounts.

Iannazzo testified that he “believe[d]” he had enough time to go home between the two withdrawals.<sup>212</sup> “[B]ecause of my routine in the morning, . . . I did go to the [deli] that is . . . across the street [from the LCB branch], went home, dropped off the money and the food. And then I proceeded to go to the [Bank of America] ATM, . . . I knew I had other jobs to get done and I went [to the ATM] to take care of the other side of my projects.”<sup>213</sup>

Iannazzo continued his large cash withdrawals through the rest of the month. On November 16, 21, and 23, he withdrew \$7,500, \$7,000, and \$7,500, respectively, for a total of \$22,000, from the LCB Account using three different bank branches.<sup>214</sup> Because he had a balance in the account of nearly \$22,300 on November 16,<sup>215</sup> Iannazzo could have withdrawn the entire amount in one cash transaction. Also during this period, Iannazzo continued to withdraw cash from the ML Account, usually taking the daily maximum of \$2,500 using a Bank of America ATM. During the approximately two weeks from November 12 to November 27, 2019, Iannazzo withdrew \$18,150 from the ML Account.<sup>216</sup>

#### *January 2020 Transactions*

Iannazzo continued making cash withdrawals in January 2020. From January 2 to January 17, 2020, he withdrew a total of \$65,000 in cash—\$35,000 from the LCB Account and \$30,000 from the ML Account.<sup>217</sup> He wired \$35,000 to the LCB Account from a Merrill joint account on January 8, 2020. Using the same Merrill joint account, Iannazzo also transferred \$15,000 to the ML Account on January 6 and another \$15,000 on January 14, 2020.<sup>218</sup> Nearly every day between January 2 and January 17, he withdrew \$2,500 from the ML Account using a Bank of America ATM, for a total of \$30,000.<sup>219</sup> On January 10, 13, 15, and 17, Iannazzo also withdrew \$8,500, \$8,500, \$9,000, and \$9,000, respectively, totaling \$35,000, from the LCB Account.<sup>220</sup> Since he had previously wired \$35,000 to the LCB Account on January 8, Iannazzo could have withdrawn the entire amount in a single cash transaction.

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<sup>211</sup> CX-8, at 3.

<sup>212</sup> Tr. 1315.

<sup>213</sup> Tr. 1315.

<sup>214</sup> CX-8, at 4.

<sup>215</sup> CX-8, at 4.

<sup>216</sup> CX-8, at 3-4.

<sup>217</sup> CX-8, at 4-5.

<sup>218</sup> CX-8, at 4-6.

<sup>219</sup> CX-8, at 4-6.

<sup>220</sup> CX-8, at 4-6.

On two days during this period—January 10 and January 13—Iannazzo withdrew a total of \$11,000 in cash from the LCB Account and the ML Account.<sup>221</sup>

On two other days, January 15 and January 17, 2020, Iannazzo withdrew a total of \$11,500 in cash from the LCB Account and the ML Account each day in less than 30 minutes. On January 15, at approximately 4:39 p.m., he withdrew \$9,000 in cash from the LCB Account. About 18 minutes later, at 4:57 p.m., he withdrew \$2,500 in cash from the ML Account at a Bank of America ATM.<sup>222</sup> Iannazzo testified that in this instance—on January 15—because the LCB branch and the Bank of America ATM he visited were both in his neighborhood he “probably felt a little more comfortable” carrying \$11,500 without going home in between the two withdrawals but he was “not sure” if that is what he did.<sup>223</sup>

On January 17, 2020, Iannazzo first obtained \$2,500 in cash from the ML Account at a Bank of America ATM, at approximately 8:28 a.m., and then, about 26 minutes later, at 8:54 a.m., he withdrew \$9,000 from the LCB Account.<sup>224</sup> Therefore, on this day, in less than 30 minutes, Iannazzo obtained \$11,500 in cash from the two accounts. Iannazzo testified that on January 17 he had time to first go home before going to the LCB branch to withdraw \$9,000.<sup>225</sup> Because January 17 was a Friday, according to Iannazzo, he was working from home and as is his “typical routine [on Fridays], looking at my projects” he “probably” had breakfast with his wife before going to the LCB branch.<sup>226</sup>

On January 17, 2020, when he took \$9,000 in cash from his LCB Account, a bank teller handed Iannazzo a FinCEN pamphlet.<sup>227</sup> This was the second time that an LCB employee gave Iannazzo a FinCEN pamphlet. On both occasions, an employee at an LCB branch office in Fairfield, Connecticut, gave him the pamphlet.<sup>228</sup>

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<sup>221</sup> CX-8, at 5.

<sup>222</sup> CX-8, at 6.

<sup>223</sup> Tr. 1318; CX-12, at 14-15.

<sup>224</sup> CX-8, at 6.

<sup>225</sup> Tr. 1319; CX-12, at 19-20.

<sup>226</sup> Tr. 1319-20.

<sup>227</sup> CX-8, at 6.

<sup>228</sup> CX-8, at 1, 6.

## **5. Iannazzo Deposited \$89,150 in Cash into the LCB Account (March 2020 to August 2020)**

### *March-April 2020 Transactions*

Starting in early March 2020, which roughly coincided with the beginning of the COVID-19 pandemic, and continuing until late August 2020, Iannazzo deposited a total of \$89,150 in cash into his LCB Account, using a teller.<sup>229</sup>

In less than a week in early March 2020, using three different LCB branches, Iannazzo placed \$24,900 in cash into the LCB Account<sup>230</sup>—\$8,700, \$9,000, and \$7,200, respectively, on March 6, 7, and 11, 2020.<sup>231</sup> A month later, on April 3, 7, and 17, 2020, he deposited \$8,500, \$8,000, and \$5,500, respectively—a total of \$22,000 in cash—into the LCB Account.<sup>232</sup>

### *July-August 2020 Transactions*

After a three-month pause, Iannazzo resumed depositing cash into the LCB Account. Again using three different LCB branches, Iannazzo deposited a total of \$42,250 in cash into the account: \$9,000, \$8,250, \$8,500, \$7,500, and \$9,000 on July 8, 18, and 23, and August 26 and 28, 2020, respectively.<sup>233</sup>

Also during this time, Iannazzo moved nearly all the money he had deposited into the LCB Account to accounts at Merrill. He did this by writing three checks from the LCB Account totaling \$89,010 after making a series of separate deposits into it. He deposited one check for \$25,000 in the ML Account on March 11, and two checks for \$22,000 and \$42,010 on April 17 and August 28, 2020, respectively, in the Merrill joint account.<sup>234</sup>

## **6. Iannazzo Withdrew \$84,000 in Cash (September and October 2020)**

### *September 2020 Transactions*

In early September 2020, Iannazzo restarted his cash withdrawals. In just over a month in September and October 2020, Iannazzo took out \$84,000—\$44,000 from the LCB Account and \$40,000 from the ML Account.<sup>235</sup> He started by making withdrawals from the ML Account.

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<sup>229</sup> CX-9.

<sup>230</sup> With one exception, Iannazzo did not make a cash deposit during this period at the same LCB branch twice in a row. CX-9.

<sup>231</sup> CX-9.

<sup>232</sup> CX-9.

<sup>233</sup> CX-9.

<sup>234</sup> CX-9.

<sup>235</sup> CX-10.

Before withdrawing cash from the ML Account, however, he transferred \$25,000 from another Merrill account to the ML Account on September 2, 2020.<sup>236</sup> From September 8 to September 29, Iannazzo withdrew a total of \$15,000, consisting of six cash withdrawals of \$2,500 each, from the ML Account using a Bank of America ATM.<sup>237</sup>

On September 30, 2020, Iannazzo replenished the LCB Account by transferring \$60,000 from the ML Account.<sup>238</sup>

#### *October 2020 Transactions*

The next day, October 1, at approximately 2:57 p.m., he withdrew \$8,500 in cash from the LCB Account. About nine minutes later, at 3:06 p.m., Iannazzo began withdrawing \$2,500 from the ML Account using a Bank of America ATM.<sup>239</sup> Therefore, he withdrew \$11,000 from the two accounts in one day.

After the \$8,500 cash withdrawal on October 1, 2020, LCB gave Iannazzo another FinCEN pamphlet.<sup>240</sup> This was the third pamphlet Iannazzo received from LCB. Iannazzo disputed having received one this day because, he testified, there was not enough time for him to be handed a pamphlet before driving to the Bank of America ATM and withdrawing cash nine minutes later.<sup>241</sup> Iannazzo testified that, if he did receive a pamphlet this day, he would have told the person giving it to him, “I don’t understand why you are giving this to me. It does not apply to me. I explained to you what I do for a living and the purpose of this money and where it came from. [Saying] [j]ust that alone takes some time.”<sup>242</sup>

On October 2, 2020, and again three days later, October 5, Iannazzo took out \$2,500 in cash each day from the ML Account.<sup>243</sup> Additionally, on October 3 (a Saturday), Iannazzo withdrew \$8,500 in cash from the LCB Account.<sup>244</sup>

On October 6, 2020, at approximately 3:23 p.m., Iannazzo withdrew \$2,500 in cash from the ML Account using a Bank of America ATM.<sup>245</sup> About 16 minutes later, at 3:39 p.m., he

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<sup>236</sup> CX-10, at 1.

<sup>237</sup> CX-10, at 1.

<sup>238</sup> CX-10, at 1.

<sup>239</sup> CX-10, at 1.

<sup>240</sup> CX-10, at 1; CX-33, at 7.

<sup>241</sup> Tr. 1320-21.

<sup>242</sup> Tr. 1321.

<sup>243</sup> CX-10, at 1-2.

<sup>244</sup> CX-10, at 2.

<sup>245</sup> CX-10, at 2.

withdrew \$9,000 from the LCB Account.<sup>246</sup> Therefore, he withdrew \$11,500 from the two accounts in one day. Iannazzo testified that although he “definitely” had time to go home between the two transactions, he could not recall if he in fact did so on this occasion.<sup>247</sup>

Iannazzo withdrew another \$5,000 in cash from the ML Account on October 7 and 8, 2020 (\$2,500 each day).<sup>248</sup> On October 9, he withdrew \$11,000 in cash from his two accounts—\$8,500 from the LCB Account and \$2,500 from the ML Account.<sup>249</sup>

An LCB employee gave Iannazzo another FinCEN pamphlet after he withdrew the \$8,500 in cash on October 9.<sup>250</sup> This was the fourth time the bank gave Iannazzo the pamphlet.

On October 10 and 12, 2020, Iannazzo withdrew \$5,000 from the ML Account (\$2,500 each day) using a Bank of America ATM.<sup>251</sup> On October 13, 2020, Iannazzo went to a different LCB branch from the one that handed him a FinCEN pamphlet on October 9. He withdrew \$8,500 in cash from the LCB Account, and then minutes later, at 11:20 a.m., withdrew another \$1,000 in cash from the account.<sup>252</sup> Approximately five minutes later, at 11:25 a.m., Iannazzo withdrew \$2,500 from the ML Account at a Bank of America ATM.<sup>253</sup> Thus, on that day, Iannazzo withdrew \$12,000 in cash from the two accounts.

Iannazzo testified that he did not believe that he went home between the withdrawals at LCB and the ATM transactions because he “felt more comfortable” since his wife was with him this day.<sup>254</sup> She had asked him to go back into the bank to withdraw another \$1,000, which, he recalled, he believed was intended for his children to spend.<sup>255</sup>

## **7. Iannazzo Deposited \$200,340 in Cash (November 2020 to March 2021)**

In mid-November 2020, about a month after the last cash withdrawals on October 13, Iannazzo again started to deposit cash into the LCB Account and the ML Account.<sup>256</sup> He also for

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<sup>246</sup> CX-10, at 2.

<sup>247</sup> Tr. 1326-27; CX-12, at 26-27.

<sup>248</sup> CX-10, at 2.

<sup>249</sup> CX-10, at 2.

<sup>250</sup> CX-10, at 2; CX-33, at 7.

<sup>251</sup> CX-10, at 2.

<sup>252</sup> CX-10, at 3.

<sup>253</sup> CX-10, at 3.

<sup>254</sup> Tr. 1326-28.

<sup>255</sup> Tr. 1327-28.

<sup>256</sup> CX-1; CX-11, at 1.

the first time deposited cash into the BoA Account.<sup>257</sup> From November 13, 2020, to March 24, 2021, using 24 separate deposits, ranging in amounts from \$6,400 to \$9,500, Iannazzo deposited \$200,340 in cash into the three accounts—\$94,300 in the LCB Account, \$36,400 in the ML Account, and \$69,640 in the BoA Account.<sup>258</sup> Iannazzo testified that each of the deposit amounts was below \$10,000 “[f]or safety reasons.”<sup>259</sup>

#### *LCB Account Deposits*

Iannazzo deposited \$8,000, \$8,500, and \$9,000 in cash into the LCB Account on November 16 and December 1 and 23, 2020, respectively.<sup>260</sup>

From January 8 to March 24, 2021, Iannazzo continued to make cash deposits into the LCB Account. He made eight deposits in amounts between \$7,500 and \$9,000, totaling \$68,800.<sup>261</sup> After his last cash deposit during the relevant period—for \$8,000, on March 24, 2021—LCB gave Iannazzo another FinCEN pamphlet.<sup>262</sup> This was the fifth and last time the bank handed him a FinCEN pamphlet.<sup>263</sup>

#### *ML Account Deposits*

Iannazzo made five cash deposits into the ML Account from January 27 to March 19, 2021, ranging in amounts from \$6,400 to \$7,500 and totaling \$36,400.<sup>264</sup> Iannazzo used Bank of America walk-up ATMs to make the deposits into the ML Account by feeding \$100 bills into the ATM.<sup>265</sup> Bank of America ATMs accepted only 40 bills at a time.<sup>266</sup> Accordingly, to deposit \$7,500 into the ML Account, as Iannazzo did on January 27 and 29, February 26, and March 6, 2021, he had to first insert 40 \$100 bills, then put in an additional 35 \$100 bills.<sup>267</sup>

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<sup>257</sup> Tr. 1092; CX-11, at 1.

<sup>258</sup> CX-11.

<sup>259</sup> Tr. 1093.

<sup>260</sup> CX-11, at 1.

<sup>261</sup> CX-11, at 1-2.

<sup>262</sup> CX-11, at 2; CX-33, at 7.

<sup>263</sup> CX-11, at 2; CX-33, at 7. Even after receiving the fifth FinCEN pamphlet on March 24, 2021, Iannazzo made one more cash deposit into the LCB Account—on April 27, 2021, for \$8,500. CX-11, at 2. This transaction was not alleged in the Complaint. *See* Compl. Attach. A.

<sup>264</sup> CX-11.

<sup>265</sup> Tr. 246-47, 1094-96.

<sup>266</sup> Tr. 1095-96; CX-57, at 23.

<sup>267</sup> Tr. 1096-97; CX-11.

### *BoA Account Deposits*

From November 13, 2020, to March 4, 2021, Iannazzo made eight cash deposits into the BoA Account, ranging from \$7,500 to \$9,500, and totaling \$69,640.<sup>268</sup> On each occasion, Iannazzo used a teller to deposit the cash.<sup>269</sup> One of the eight deposits was a \$9,500 cash deposit on December 23, 2020. This \$9,500 deposit combined with the \$9,000 cash deposited into the LCB Account the same day (noted above) equals an \$18,500 deposit of cash into these two accounts in one day.<sup>270</sup>

### **G. Iannazzo Visited an LCB Branch After Learning of FINRA’s Investigation**

After Iannazzo learned of FINRA’s investigation in May 2021, he visited an LCB branch office to speak to a manager about what the bank knew about his cash activity.<sup>271</sup> During an interview with a FINRA investigator, an LCB employee described Iannazzo as “irate” and upset with a teller.<sup>272</sup> A bank employee documented Iannazzo’s visit in an email to LCB’s Risk Management Department.<sup>273</sup> LCB then sent Iannazzo a letter, dated July 7, 2021, asking that he close his account.<sup>274</sup>

Iannazzo returned to the LCB branch in July 2021.<sup>275</sup> On this occasion, he recorded his conversations with bank personnel using his iPhone. Bank employees did not know they were being recorded.<sup>276</sup> During the conversation, Iannazzo blamed LCB for FINRA’s investigation.<sup>277</sup> He threatened to sue LCB and cause his Merrill customers to withdraw their business.<sup>278</sup> He told employees that he wanted LCB to help “get [him] out of the mess that [he is] now in because of this.”<sup>279</sup> Based on Iannazzo’s representations that his cash activity would stop, LCB allowed him to keep his account open.<sup>280</sup>

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<sup>268</sup> CX-11.

<sup>269</sup> Tr. 246-47.

<sup>270</sup> CX-11, at 1.

<sup>271</sup> Tr. 871-72, 1099-1102; CX-62, at 5.

<sup>272</sup> CX-62, at 5.

<sup>273</sup> CX-62, at 5.

<sup>274</sup> CX-33, at 9.

<sup>275</sup> Tr. 600-01, 1102-03.

<sup>276</sup> Tr. 874-79; JX-25; JX-25a. A transcript of the recorded conversation between Iannazzo and bank personnel was admitted into evidence as JX-25, together with the recording itself as JX-25a.

<sup>277</sup> JX-25, at 7-8.

<sup>278</sup> Tr. 1113-14; JX-25, at 5.

<sup>279</sup> JX-25, at 14.

<sup>280</sup> Tr. 1103-05; CX-33, at 2, 9; CX-63.

After Iannazzo again visited an LCB branch and, according to a bank manager, “demanded” a copy of a FinCEN pamphlet, LCB closed his account in August 2022.<sup>281</sup>

#### **IV. Conclusions of Law**

The sole cause of the Complaint alleges that Iannazzo intentionally structured 368 transactions, totaling \$845,890 in cash withdrawals and deposits, in the ML Account, and the two personal bank accounts—the LCB Account and BoA Account—to evade federal reporting requirements, with the purpose of preventing the financial institutions from filing a CTR to report a cash transaction over \$10,000.<sup>282</sup> The Complaint alleges that Iannazzo’s misconduct constituted a violation of FINRA Rule 2010, which requires that an associated person, in the conduct of his business, “shall observe high standards of commercial honor and just and equitable principles of trade.”<sup>283</sup>

The Panel Majority finds that Enforcement proved the alleged violation by a preponderance of the evidence.

##### **A. Iannazzo Engaged in Unlawful Structuring**

The BSA and the implementing regulations promulgated thereunder require financial institutions to report any currency transaction exceeding \$10,000<sup>284</sup> by filing a CTR with

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<sup>281</sup> Tr. 1411-12; CX-33, at 2; CX-63, at 2. Iannazzo made a second recording of conversations he had with LCB personnel in April 2024, one month before the hearing in this disciplinary proceeding began. Tr. 873-74. The parties did not submit into evidence a copy of the second recording or a transcript.

<sup>282</sup> Compl. ¶¶ 3, 25-28, 32-33, Attach. A.

<sup>283</sup> Compl. ¶¶ 28, 32-33, Attach. A.

<sup>284</sup> See 31 U.S.C. § 5313(a) (requiring financial institutions to report transactions “for the payment, receipt, or transfer of United States coins or currency . . . in an amount, denomination, or amount and denomination, or under circumstances” as the Secretary of the Treasury prescribes); 31 C.F.R. § 1010.311 (requiring financial institutions to file “a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to such financial institution which involves a transaction in currency of more than \$10,000, except as otherwise provided in this section”).



FinCEN.<sup>285</sup> CTRs are an important tool in deterring, detecting, and prosecuting money laundering and other financial crimes, such as tax evasion.<sup>286</sup>

Federal law makes it a crime to “structure or assist in structuring, or attempt to structure or assist in structuring, any transaction with one or more domestic financial institutions” for the purpose of evading currency transaction reporting requirements.<sup>287</sup> A person unlawfully structures a transaction if that person, for the purpose of evading currency transaction reporting requirements, “conducts or attempts to conduct one or more transactions in currency, in any amount, at one or more financial institutions, on one or more days, in any manner.”<sup>288</sup> The phrase “[i]n any manner” includes, but is not limited to, “the breaking down of a single sum of currency exceeding \$10,000 into smaller sums, including sums at or below \$10,000, or the conduct of a transaction, or series of currency transactions at or below \$10,000.”<sup>289</sup> “The transaction or transactions need not exceed the \$10,000 reporting threshold at any single financial institution on any single day” to meet the definition of structuring.<sup>290</sup> Proof that the structured funds were derived from a criminal source is also not necessary.<sup>291</sup>

Thus, to establish that Iannazzo engaged in unlawful structuring in violation of FINRA Rule 2010, Enforcement must prove each of the following three elements: (1) Iannazzo engaged

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<sup>285</sup> CX-31, at 3; CX-34, at 1. The CTR, FinCEN Form 104 (revised in March 2011), is available at [https://www.irs.gov/pub/irs-tege/fin104\\_ctr.pdf](https://www.irs.gov/pub/irs-tege/fin104_ctr.pdf). The CTR identifies who must file a CTR. “Each financial institution (other than a casino . . . and the U.S. Postal Service . . . ) must file FinCEN Form 104 for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to the financial institution which involves a transaction in currency of more than \$10,000. Multiple transactions must be treated as a single transaction if the financial institution has knowledge that (1) they are by or on behalf of the same person, and (2) they result in either currency received (Cash In) or currency disbursed (Cash Out) by the financial institution totaling more than \$10,000 during any one business day. For a bank, a business day is the day on which transactions are routinely posted to customers’ accounts, as normally communicated to depository customers. For all other financial institutions, a business day is a calendar day.” [https://www.irs.gov/pub/irs-tege/fin104\\_ctr.pdf](https://www.irs.gov/pub/irs-tege/fin104_ctr.pdf), at 3 (“General Instructions”).

<sup>286</sup> See *Dep’t of Enforcement v. Highland Fin., Ltd.*, No. 2011025591601, 2013 FINRA Discip. LEXIS 39, at \*46 (OHO Sept. 27, 2013); see also 31 U.S.C. § 5311(1) (noting that one of the purposes of the BSA is to “require certain reports or records that are highly useful in criminal, tax, or regulatory investigations, risk assessments, or proceedings”); 31 C.F.R. § 1010.301 (“The Secretary hereby determines that the reports required by this chapter,” including CTRs, “have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.”); *MacPherson*, 424 F.3d at 188 (underlying the reporting requirement “was Congress’s recognition of ‘the importance of reports of large and unusual currency transactions in ferreting out criminal activity’”) (quoting *California Bankers Ass’n v. Shultz*, 416 U.S. 21, 38 (1974)).

<sup>287</sup> 31 U.S.C. § 5324(a)(3).

<sup>288</sup> 31 C.F.R. 1010.100(xx).

<sup>289</sup> 31 C.F.R. 1010.100(xx).

<sup>290</sup> 31 C.F.R. 1010.100(xx).

<sup>291</sup> See *MacPherson*, 424 F.3d at 193 (“If a defendant structures cash transactions knowing that the financial institution involved is obligated to report transactions exceeding \$10,000 and intending to evade that requirement, he is guilty of structuring without regard to whether the cash at issue represents criminal or lawful proceeds.”).

in acts of structuring by intentionally breaking larger transactions into amounts below \$10,000; (2) he did so with knowledge that the financial institutions involved were legally obligated to report currency transactions in excess of \$10,000; and (3) he acted with the intent to evade the reporting requirement.<sup>292</sup> Because this is a disciplinary proceeding and not a criminal structuring case, Enforcement must prove all three elements by a preponderance of the evidence.<sup>293</sup>

As we explain below, the Panel Majority finds that Enforcement met its burden as to all three elements.

### **1. Iannazzo Engaged in Acts of Structuring by Intentionally Breaking Larger Transactions into Amounts Below \$10,000**

Iannazzo does not dispute that he broke larger cash withdrawals and deposits into amounts below \$10,000, which suffices to establish the first element of unlawful structuring.<sup>294</sup>

More specifically, Iannazzo admits that, when he needed a large sum of cash, purportedly to pay contractors who were working on his home projects, he did not withdraw the cash in a single transaction.<sup>295</sup> Rather, Iannazzo deliberately made multiple smaller withdrawals, all in amounts below \$10,000, over a period of days or weeks, until he had collected the amount of cash that he needed.<sup>296</sup> Iannazzo referred to this amount as the “bogie number.”<sup>297</sup>

For example, during the approximately two-week period from January 2 to January 17, 2020, Iannazzo withdrew a total of \$65,000 in cash, allegedly to pay the contractor and buy materials for his pool house project.<sup>298</sup> However, instead of withdrawing that entire sum at once, Iannazzo withdrew the cash in 40 separate transactions, all in amounts under \$10,000, and he spread the withdrawals across two different financial institutions.<sup>299</sup> Although Iannazzo acknowledged he could have withdrawn the \$65,000 in a single transaction, he claimed he chose not to do so because he did not feel “safe” carrying around that much cash.<sup>300</sup>

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<sup>292</sup> See *MacPherson*, 424 F.3d at 189; *Dep’t of Enforcement v. White*, No. 2015045254501, 2019 FINRA Discip. LEXIS 30, at \*36 (NAC July 26, 2019).

<sup>293</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*36-37.

<sup>294</sup> *Id.* at \*37 (evidence that the respondent “deliberately broke larger sums of cash into smaller amounts,” which he then deposited into his accounts in amounts under \$10,000, was sufficient to establish he engaged in acts of structuring).

<sup>295</sup> Tr. 781-83, 787-88, 926-28, 980, 1033-35, 1041-44, 1051-56, 1074-76, 1210, 1264-65.

<sup>296</sup> Tr. 781-83, 787-88, 926-28, 980, 1033-35, 1041-44, 1051-56, 1074-76, 1210, 1264-65.

<sup>297</sup> Tr. 927, 1054.

<sup>298</sup> Tr. 225-32, 1052-56; CX-1; CX-8, at 4-6.

<sup>299</sup> Tr. 225-30, 1052-56; CX-8, at 4-6.

<sup>300</sup> Tr. 1055-56.

Similarly, when Iannazzo had a large sum of cash to deposit, purportedly because he had money left over from his home projects or because his home projects had been cancelled or delayed, he did not deposit the cash in a single transaction.<sup>301</sup> Instead, Iannazzo took the “tens of thousands of dollars” that allegedly were sitting in his safe at home and deposited the cash back into his bank accounts in multiple smaller transactions, all under \$10,000.<sup>302</sup>

For example, Iannazzo testified that, when his pool house project was delayed in March 2020 because of the COVID-19 pandemic, he had \$89,000 in cash in his safe at home that he wanted to deposit back into his bank accounts.<sup>303</sup> Instead of returning the cash to the bank in a single transaction however, Iannazzo made 11 separate deposits, all in amounts under \$10,000, and he rotated the deposits among three different LCB branches.<sup>304</sup> Again, Iannazzo admitted that he could have deposited the \$89,000 in a single transaction, but that he chose not to do so because he did not “feel comfortable” carrying around that much cash.<sup>305</sup>

Iannazzo repeated this same pattern of structuring cash transactions throughout the relevant period. In total, from December 2014 through March 2021, he withdrew and deposited \$845,890 in cash in 368 separate transactions, using three different financial institutions, all in amounts under \$10,000.<sup>306</sup>

## **2. Iannazzo Knew About the \$10,000 Transaction Threshold and Financial Institutions’ CTR Filing Requirement**

The second element of unlawful structuring is knowing that financial institutions are required to file a CTR under certain circumstances. Iannazzo’s position with respect to this element of unlawful structuring evolved during this proceeding.

Iannazzo testified at the hearing that he was unaware of the requirement that financial institutions report currency transactions that exceed \$10,000.<sup>307</sup> He described his Firm’s training on the subject as “limited” and claimed the concept of currency transaction reporting was “new” to him in 2021.<sup>308</sup>

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<sup>301</sup> See Tr. 784-87, 790-94, 973-76, 1067-68, 1070-74, 1089-98, 1111-12, 1239-40, 1249-50, 1266-69.

<sup>302</sup> See Tr. 784-87, 790-94, 973-76, 1067-68, 1070-74, 1089-98, 1111-12, 1239-40, 1249-50, 1266-69.

<sup>303</sup> Tr. 784-87, 1067-68.

<sup>304</sup> Tr. 231-35, 1070-74; CX-1; CX-9.

<sup>305</sup> Tr. 1073-74.

<sup>306</sup> Stip. ¶¶ 5, 7; CX-1; CX-6; CX-7; CX-8; CX-9; CX-10; CX-11. At the hearing, Enforcement proved that Iannazzo engaged in additional acts of structuring beyond those alleged in the Complaint. CX-6, at 3-4, 8 (highlighting those transactions that were not included in the Complaint); CX-7 (same); CX-8, at 2 (same); CX-11, at 2 (same). The Panel Majority did not consider this uncharged conduct with respect to liability.

<sup>307</sup> Tr. 602, 620.

<sup>308</sup> Tr. 620.

But Iannazzo changed his position after the hearing. In his post-hearing brief, Iannazzo appears to concede he “became aware of the CTR requirement” at some point during the relevant period as a result of the “various trainings” he completed while employed at Merrill and the FinCEN pamphlets he received from LCB.<sup>309</sup> However, even if he eventually learned of currency transaction reporting requirements, Iannazzo argues that Enforcement failed to prove that he had the requisite knowledge in December 2014 when the cash transactions at issue began.<sup>310</sup> The Panel Majority rejects this argument and finds that Enforcement proved by a preponderance of the evidence that Iannazzo was aware throughout the relevant period that financial institutions are required to report currency transactions in excess of \$10,000.<sup>311</sup>

We base this finding, in part, on the training that Iannazzo received from his Firm.<sup>312</sup> Specifically, during the relevant period, Iannazzo completed annual training and certified annually that he understood and would comply with Merrill’s financial crimes policies.<sup>313</sup> The Firm’s 2016, 2019, and 2020 policies included discussions of currency transaction reporting requirements and structuring.<sup>314</sup> The training that Iannazzo completed in 2016 covered the same two subjects in depth.<sup>315</sup> In 2015 and 2019, Iannazzo completed additional training that also discussed currency transaction reporting requirements and structuring.<sup>316</sup>

Iannazzo also was aware of currency transaction reporting requirements as a result of the multiple FinCEN pamphlets LCB gave him. Enforcement introduced evidence that Iannazzo received these pamphlets from bank employees on five separate occasions beginning in June 2019, and, as explained above, the Panel Majority credits that evidence.<sup>317</sup> However, even assuming, as Iannazzo testified, that he received the pamphlets only two or three times,<sup>318</sup> those

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<sup>309</sup> See Respondent James Iannazzo’s Post-Hearing Brief (“Resp’t’s Post-Hr’g Br.”) (Sept. 27, 2024) 18.

<sup>310</sup> See *id.*

<sup>311</sup> See *United States v. Sixty-One Thousand Nine Hundred Dollars and No Cents (\$61,900.00) Seized from Account No. XXXXXX4429 (“Potenza”)*, 802 F. Supp. 2d 451, 470 n.34 (E.D.N.Y. 2011) (to find liability, it is not necessary to show that defendant knew structuring was illegal—only that defendant knew that financial institutions were legally obligated to report currency transactions over \$10,000).

<sup>312</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*38 (upholding finding that respondent was aware of currency transaction reporting requirements based, in part, on annual training he received regarding those requirements).

<sup>313</sup> Tr. 81-83, 91-92, 582, 621-22, 681-82; CX-15; CX-23.

<sup>314</sup> See CX-23, at 63, 133, 156; CX-25, at 23-25, 182-85, 392-95.

<sup>315</sup> See Tr. 582, 621-22, 743-44, 749; CX-15; CX-27, at 1, 6-7.

<sup>316</sup> See Tr. 582, 621-22, 729-30, 739, 762-63; CX-15; CX-26, at 1, 9, 19-20, 22; CX-28, at 1, 13, 17.

<sup>317</sup> Tr. 106-07, 181-83, 229, 238-39, 249-50; CX-1; CX-33, at 2, 7; CX-59; CX-62, at 7.

<sup>318</sup> Tr. 880-81, 986, 1089, 1322-23.

pamphlets, which Iannazzo admitted he read,<sup>319</sup> clearly explained the obligation of financial institutions to report currency transactions that exceed \$10,000.<sup>320</sup>

Because Enforcement did not introduce evidence that he received a FinCEN pamphlet until 2019 nor any proof that he completed any Merrill training or reviewed any Merrill policy that specifically discussed currency transaction reporting requirements until 2015, Iannazzo claims Enforcement failed to establish he had the requisite knowledge in December 2014, when his cash withdrawal and deposit activity began.<sup>321</sup> However, the Panel Majority finds it reasonable to infer, based on Iannazzo's professional experience, that he was aware of currency transaction reporting requirements as early as December 2014.<sup>322</sup>

By December 2014, when his cash activity began, Iannazzo had been a registered representative at Merrill for nearly 20 years.<sup>323</sup> Even if he had not yet received training from his Firm that specifically addressed structuring and currency transaction reporting, by that time, he understood that he had a responsibility to be aware of and to follow industry rules and regulations and published guidance, including, in particular, AML-related rules and regulations.<sup>324</sup> Those regulations included currency transaction reporting requirements and anti-structuring rules that had been in place for more than two decades.<sup>325</sup> By no later than March 2016, Iannazzo completed the Firm's training on these specific areas.<sup>326</sup> Even assuming, as Iannazzo testified, he did not believe these regulations pertained to his practice because Merrill did not deal with cash,<sup>327</sup> he admitted he understood throughout the relevant period that he was required to comply with applicable laws and regulations in his personal accounts and that to do so he had to be knowledgeable about them.<sup>328</sup>

### **3. Iannazzo Intended to Evade the CTR Filing Requirement**

The third element needed to prove unlawful structuring is evidence that Iannazzo intended to evade the CTR reporting requirement. Direct evidence of intent is rarely present. But

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<sup>319</sup> Tr. 883, 893-94, 1329-30.

<sup>320</sup> CX-34.

<sup>321</sup> See Resp't's Post-Hr'g Br. 18.

<sup>322</sup> See *United States v. Nguyen*, 854 F.3d 276, 282 (5th Cir. 2017) (upholding finding that defendant knew of currency transaction reporting requirements based, in part, on his "extensive business experience").

<sup>323</sup> Tr. 571, 576; Stip. ¶ 2; JX-1, at 5.

<sup>324</sup> Tr. 569-71, 644-45, 659-60, 670-71, 673.

<sup>325</sup> See Amendments to Implementing Regulations Under the Bank Secrecy Act, 52 Fed. Reg. 11436 (Apr. 8, 1987).

<sup>326</sup> CX-15.

<sup>327</sup> Tr. 1447.

<sup>328</sup> Tr. 635, 643-45.

intent can be demonstrated by circumstantial evidence, including the pattern and frequency of currency transactions.<sup>329</sup>

As his principal defense in this proceeding, Iannazzo claims that, while his conduct may have been “odd”<sup>330</sup> or “quirky,”<sup>331</sup> he never intended to evade currency transaction reporting requirements. He therefore argues that Enforcement failed to prove the third element of unlawful structuring. The Panel Majority disagrees.

**a. Iannazzo’s Pattern of Structuring Activity Supports the Inference that He Intended to Evade Reporting Requirements**

It is well established that an individual’s intent to evade reporting requirements may be proved through circumstantial evidence, including based solely on the pattern of the structured transactions.<sup>332</sup> Here, the pattern of Iannazzo’s structured transactions overwhelmingly supports the inference that his intent was to avoid the filing of a CTR.

The staggering volume of withdrawals and deposits under \$10,000 over the six-year period, by itself, suggests Iannazzo structured those transactions with the intent to evade CTR requirements. Every one of the 368 transactions, without exception, was under \$10,000.<sup>333</sup> Iannazzo’s “consistent avoidance” of the \$10,000 reporting threshold, over such an extended period and across such a huge number of transactions, persuades the Panel Majority that he intended to evade reporting requirements.<sup>334</sup>

The inefficient and illogical way in which Iannazzo chose to make his cash deposits and withdrawals further suggests his intent was to avoid the filing of a CTR.<sup>335</sup> For example, he broke up larger withdrawals and deposits into multiple smaller transactions and spread them out

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<sup>329</sup> *MacPherson*, 424 F.3d at 190 (finding that “the totality of circumstantial evidence” permitted the jury to “have reasonably inferred from the pattern of [defendant’s] structuring, . . . that [defendant] knew of and, in connection with the charged deposits, intended to evade currency reporting requirements”).

<sup>330</sup> Tr. 993, 1114, 1250.

<sup>331</sup> Tr. 993, 999-1000, 1405.

<sup>332</sup> *See MacPherson*, 424 F.3d at 189-90; *United States v. Nersesian*, 824 F.2d 1294, 1314-15 (2d Cir. 1987).

<sup>333</sup> Stip. ¶¶ 5, 7.

<sup>334</sup> *United States v. Morales-Rodriguez*, 467 F.3d 1, 11 (1st Cir. 2006) (jury could have concluded the defendant intended to evade reporting requirements based on his “consistent avoidance of the \$10,000 threshold over a period of almost three years”); *see also United States v. Cassano*, 372 F.3d 868, 879 (7th Cir. 2004) (“it is unlikely, to the point of absurdity, that it was pure coincidence that all fifty-one checks cashed by [the defendant] were in denominations under \$10,000”), *vacated and remanded on other grounds*, 543 U.S. 1109 (2005).

<sup>335</sup> *See MacPherson*, 424 F.3d at 191 (defendant’s “willingness to sacrifice efficiency and convenience in depositing a quarter-million dollars through multiple small transactions structured to ensure that no one exceeded \$10,000 amply supported a reasonable inference that [he] knew of and was intent on avoiding CTR reporting requirements.”).

over a period of several days or weeks.<sup>336</sup> “Breaking up a lump sum into smaller transactions” in this manner “can be a sign of intent to evade the reporting requirement because there is no obvious reason not to deposit” or withdraw “the lump sum all at once.”<sup>337</sup>

In addition, Iannazzo divided his transactions among multiple financial institutions, which is another sign of intent “because it has the effect of concealing the full extent of a person’s currency transactions.”<sup>338</sup> For example, Iannazzo divided his withdrawals between his LCB Account and ML Account, often making withdrawals from both institutions within days of each other or, on many occasions, on the same day.<sup>339</sup> During many periods, Iannazzo withdrew cash from one or both accounts on a near daily basis.<sup>340</sup> Although no single withdrawal ever exceeded the \$10,000 reporting threshold, on many days, the aggregate amount of Iannazzo’s withdrawals from both institutions totaled more than \$10,000.<sup>341</sup> If made from a single institution, these transactions would have triggered a CTR.<sup>342</sup>

Iannazzo also divided his deposits among multiple financial institutions in an inefficient and illogical manner. He initially made almost all of his deposits through a teller at one local branch of LCB,<sup>343</sup> but later rotated the deposits among four different LCB branches and, thus, different tellers.<sup>344</sup> Eventually, at the end of the relevant period (November 2020 to March 2021), Iannazzo divided the deposits among his LCB Account, the ML Account, and the BoA Account.<sup>345</sup> Iannazzo made five deposits into his ML Account by feeding stacks of bills—totaling as much as \$7,500—into an ATM.<sup>346</sup>

#### **b. Iannazzo’s Innocent Explanations for His Structuring Activity Are Not Credible**

At the hearing, Iannazzo tried to offer innocent explanations for his pattern of structuring transactions. Specifically, he testified that he broke his withdrawals and deposits into amounts

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<sup>336</sup> See CX-6; CX-7; CX-8; CX-9; CX-10; CX-11.

<sup>337</sup> *White*, 2019 FINRA Discip. LEXIS 30, at \*39 (citing *United States v. Gibbons*, 968 F.2d 639, 645 (8th Cir. 1992)).

<sup>338</sup> *Id.* at \*40 (citing *United States v. Scholl*, 166 F.3d 964, 968, 979 (9th Cir. 1999)).

<sup>339</sup> CX-6; CX-8; CX-10.

<sup>340</sup> Tr. 943, 1028, 1044-45, 1082-83; CX-6; CX-8; CX-10.

<sup>341</sup> CX-6, at 2-3, 5-9; CX-8, at 1, 3, 5-6; CX-10, at 1-3.

<sup>342</sup> See, e.g., Tr. 156-58.

<sup>343</sup> CX-7.

<sup>344</sup> CX-9.

<sup>345</sup> CX-11.

<sup>346</sup> Tr. 244-45, 247, 1094, 1096-97; CX-11.

under \$10,000 for “safety reasons,” because he was afraid of being robbed.<sup>347</sup> And he claimed he divided his deposits and withdrawals among multiple financial institutions so that he could track his expenses for different home construction projects.<sup>348</sup> The Panel Majority finds neither of these explanations credible.

With respect to Iannazzo’s alleged fears of being robbed, it defies credibility that, by visiting the bank and the ATM hundreds of times, often almost daily, and withdrawing or depositing almost \$10,000 dollars in cash in each transaction, Iannazzo thought he was less likely to be targeted by thieves than if he had made larger withdrawals and deposits on fewer occasions.<sup>349</sup> Further undermining Iannazzo’s credibility on this point, he admitted that, at least on some days, he may have carried more than \$10,000 in cash with him at one time.<sup>350</sup> We also find it more likely than not that Iannazzo carried more than \$10,000 in cash on additional days. On at least 10 occasions, Iannazzo withdrew more than \$10,000 from two separate financial institutions—through the teller at an LCB branch and at a Bank of America ATM—in less than 30 minutes.<sup>351</sup> Iannazzo testified that, on many of these dates, he believes, based on his routine, that he must have stopped at his home in between the transactions to drop off some cash with his wife.<sup>352</sup> But the Panel Majority finds this story implausible. In at least one instance, Iannazzo illogically would have to have retraced his steps to return home in between the transactions.<sup>353</sup> In other instances, the short time between the two transactions and the driving distances involved suggest that Iannazzo’s claim that he stopped at home is either impossible or, at a minimum, incredible.

We also reject Iannazzo’s testimony that he divided his transactions among different financial institutions because he wanted to separate the expenses for different home construction projects. This story is uncorroborated by any other evidence. It is inconsistent with Iannazzo’s prior OTR testimony during which he did not mention that he was tracking his expenses and withdrawals by home project.<sup>354</sup> And it makes no sense, especially given Iannazzo’s admission

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<sup>347</sup> *See, e.g.*, Tr. 927-31, 933-36, 960-61, 967, 975-76, 1044, 1055-56, 1073, 1079, 1093, 1210-14, 1336.

<sup>348</sup> *See, e.g.*, Tr. 948-51, 955-57, 960, 962-65, 967, 969-70, 985, 992, 997-98, 1028, 1045, 1083, 1199.

<sup>349</sup> We also note there is no evidence that Iannazzo was ever robbed. Rather, he testified that he and his wife were the victims of credit card theft. Tr. 1211. Additionally, he claimed that, in 2015—after the relevant conduct began—someone stole his wife’s purse out of her car and later used her bank card and identification to withdraw money from her account. Tr. 1211-14; RX-1. *See also* Respondent James Iannazzo’s Pre-Hearing Brief (“Resp’t’s Pre-Hr’g Br.”) (Jan 16, 2024) 7.

<sup>350</sup> Tr. 1063-64, 1081-82, 1085-86, 1317-18, 1327-28.

<sup>351</sup> Tr. 257-80; CX-12.

<sup>352</sup> Tr. 987-89, 991-94, 997-1002, 1064-66, 1086-88, 1305-15, 1319-20, 1326-27.

<sup>353</sup> Tr. 273-74.

<sup>354</sup> *See, e.g.*, Tr. 1048-51, 1076-78.



that, once he withdrew cash from his accounts, he commingled it all in his home safe without any regard for its source.<sup>355</sup>

Relying upon the decision in a federal forfeiture action against an account owned by a person named Potenza (“*Potenza*”),<sup>356</sup> Iannazzo argues that we cannot infer that he had the requisite intent based solely on the pattern of his structuring activity.<sup>357</sup> However, the decision in *Potenza* is distinguishable.

In *Potenza*, the federal district court acknowledged, citing *United States v. MacPherson*,<sup>358</sup> that it would be permissible to infer that Potenza intended to evade reporting requirements based entirely on the evidence he made “over 100 transactions, most just under the \$10,000 CTR-triggering amount and in close proximity to each other.”<sup>359</sup> However, the district court ultimately found the government failed to establish intent because Potenza “provided a credible and logical explanation for his banking activity.”<sup>360</sup> In particular, the court credited Potenza’s testimony that the cash deposits at issue all came from his strip club business. Because his business had limited use for \$50 and \$100 bills, it was a “matter of routine,” dating back to the 1970s, for Potenza to make regular cash deposits when the \$50 and \$100 bills accumulated to a certain number. And, because he had been robbed in the past, Potenza “made regular trips to the bank with an amount he felt comfortable, usually \$8,000.”<sup>361</sup> Significantly, the court found no evidence of Potenza’s “willingness to sacrifice efficiency and convenience” in making his deposits.<sup>362</sup> Unlike the defendant in *MacPherson*—who, as the court noted, “traveled to three different banks on the same day” to make his deposits—the court found it illogical to believe that, by consistently depositing \$8,000 into a single bank account, Potenza intended to evade reporting requirements.<sup>363</sup>

Here, by contrast, Iannazzo did *not* provide a “credible and logical explanation for his banking activity,” for the reasons described above. And, unlike in *Potenza*, the evidence shows Iannazzo *was* willing to sacrifice efficiency and convenience by, among other things, dividing his withdrawals and deposits among multiple financial institutions, often on the same day. This evidence, when considered in conjunction with the sheer volume of structuring activity, is more

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<sup>355</sup> Tr. 1424-25.

<sup>356</sup> 802 F. Supp. 2d 451.

<sup>357</sup> See Resp’t’s Post-Hr’g Br. 3-4, 17-18, 20, 22, 24.

<sup>358</sup> 424 F.3d 183 (2d Cir. 2005).

<sup>359</sup> *Potenza*, 802 F. Supp. 2d at 468.

<sup>360</sup> *Id.*

<sup>361</sup> *Id.* at 465-66, 468.

<sup>362</sup> *Id.* at 469 (quoting *MacPherson*, 424 F.3d at 191).

<sup>363</sup> *Potenza*, 802 F. Supp. 2d at 469, 471.

than sufficient to support the inference that Iannazzo's intent was to evade detection and avoid CTR reporting requirements.

**c. The Panel Majority Rejects Iannazzo's Remaining Arguments About His Intent**

Iannazzo also points to other evidence that he claims is inconsistent with the inference that he intended to evade reporting requirements. Specifically, (1) Iannazzo argues that he was fully "transparent" with both LCB and Merrill and knew both institutions were monitoring his transactions;<sup>364</sup> (2) he argues that he did not change his pattern of structuring transactions even after he received a FinCEN pamphlet from LCB;<sup>365</sup> (3) he denies that he had any motive to evade reporting requirements;<sup>366</sup> and (4) he notes that no financial institution or other regulator took any action against him other than to issue a warning.<sup>367</sup> None of these arguments undermines our finding that Iannazzo intended to evade currency transaction reporting requirements.

First, the Panel Majority rejects Iannazzo's claim that he was fully transparent with LCB and Merrill. Far from being transparent, Iannazzo deliberately divided his transactions between the two institutions, thereby preventing either LCB or Merrill from being able to observe the full extent of his activity. This evidence supports our finding of intent because, by ensuring that neither LCB nor Merrill saw the complete picture, Iannazzo made it more likely that he would evade detection by both institutions.<sup>368</sup>

Iannazzo maintains that Merrill was aware of his withdrawals and deposits in the LCB Account because, by December 2014, he changed the mailing address for the LCB Account to his Merrill office address in Stamford, Connecticut.<sup>369</sup> However, even assuming Merrill received the monthly statements for Iannazzo's LCB Account—and, as stated above, the Panel Majority finds that Lisa Feld credibly testified the Firm did *not* receive them<sup>370</sup>—Merrill had no obligation to supervise Iannazzo's outside bank accounts.<sup>371</sup> Iannazzo, who by then was an almost-20-year veteran of the securities industry, cannot credibly claim he thought otherwise. Nor do we find it credible, as Iannazzo testified, that he changed the mailing address on his LCB Account because

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<sup>364</sup> Resp't's Post-Hr'g Br. 2-3, 19-21.

<sup>365</sup> Resp't's Post-Hr'g Br. 9-10, 22.

<sup>366</sup> Resp't's Post-Hr'g Br. 18-19.

<sup>367</sup> Resp't's Post-Hr'g Br. 23.

<sup>368</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*40 (citing *United States v. Scholl*, 166 F.3d 964, 968, 979 (9th Cir. 1999)).

<sup>369</sup> Resp't's Post-Hr'g Br. 2, 5, 21. Compare CX-43, at 1 (displaying Iannazzo's home address on the November 2014 statement for his LCB Account), with CX-43, at 3 (displaying Iannazzo's work address on the December 2014 statement for his LCB Account); see also RX-8.

<sup>370</sup> Tr. 705-11.

<sup>371</sup> Tr. 712.

he wanted Merrill “to know what [he] was doing.”<sup>372</sup> The more reasonable inference is that Iannazzo changed the mailing address on his LCB Account—immediately before he knew he was about to begin structuring transactions—because he wanted to be able to blame Merrill if he ever got caught. Indeed, that is precisely what Iannazzo did throughout the hearing.<sup>373</sup> Additionally, if Iannazzo truly felt that it was “important for [Merrill] to know exactly what [he] was doing,”<sup>374</sup> he could have told his branch manager or local compliance officer directly. He did neither.

Second, Iannazzo also claims that if he had genuinely intended to evade reporting requirements, it would have been logical for him to have changed or stopped his pattern of structuring transactions once he received the FinCEN pamphlets from LCB.<sup>375</sup> But the evidence shows Iannazzo *did* change his pattern of structuring transactions. After receiving the first FinCEN pamphlet from an LCB teller on June 7, 2019, Iannazzo temporarily stopped withdrawing cash from his LCB Account and, instead, made withdrawals exclusively from his ML Account.<sup>376</sup> After three months had passed with no further action from LCB, Iannazzo resumed the activity in his LCB Account.<sup>377</sup> Going forward, however, Iannazzo started rotating his transactions in his LCB Account among tellers at four different branches.<sup>378</sup>

Third, Iannazzo claims he had no motive to hide his cash transactions because all the cash at issue allegedly was his after-tax income and not the proceeds of criminal or other illegal activity. However, as we noted above, Enforcement need not prove that the structured funds derived from a criminal source.<sup>379</sup> And although proof of motive might strengthen the inference of intent, proof of motive is not necessary to find that a person engaged in unlawful structuring.<sup>380</sup> In this case, the evidence establishes by a preponderance of the evidence that

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<sup>372</sup> Tr. 1173-74, 1437-46, 1450-52.

<sup>373</sup> See, e.g., Tr. 969 (“I got approval from my firm. I had transparency with my firm.”); Tr. 1031 (“My management team knew exactly what I was doing.”); Tr. 1033 (testifying he did not think he needed to tell Merrill he had received a FinCEN pamphlet from LCB because he had gotten “the necessary approvals”); Tr. 1066-67 (testifying that he did not tell Merrill he received a FinCEN pamphlet in January 2020 because “[a]t this point in time my activity has been going on for five to six years and Lisa Feld had been receiving my statements for almost 72 months at this point in time”).

<sup>374</sup> Tr. 1438.

<sup>375</sup> See Resp’t’s Post-Hr’g Br. 22.

<sup>376</sup> CX-8, at 1-3.

<sup>377</sup> See CX-8, at 3.

<sup>378</sup> See CX-8, at 3-6; CX-9; CX-10; CX-11.

<sup>379</sup> See *MacPherson*, 424 F.3d at 193.

<sup>380</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*40; see also *MacPherson*, 424 F.3d at 193 (anti-structuring law “makes no reference . . . to the reason why a person seeks to avoid CTR filing”).

Iannazzo intended to evade CTR requirements, whatever his reasons. That is all that Enforcement was required to show.

Finally, Iannazzo urges us to find he lacked the intent to evade CTR requirements because, after investigating his conduct, LCB, Merrill, the DOJ, and the State of Connecticut either took no action against him or at most issued a warning. However, there is no evidence that any of these entities made any finding that Iannazzo did not intend to evade reporting requirements. Any suggestion to the contrary is pure speculation.<sup>381</sup> Although, as explained below, FINRA’s Sanction Guidelines (“Guidelines”) provide that action taken by other regulators or by Iannazzo’s Firm *may be relevant for the purposes of sanctions*,<sup>382</sup> the outcomes of those entities’ earlier investigations have no bearing on our finding that Iannazzo is liable for unlawful structuring.

## **B. FINRA Rule 2010 Applies to Iannazzo’s Unlawful Structuring**

The Panel Majority also finds that, by unlawfully structuring transactions, Iannazzo violated FINRA Rule 2010.

FINRA Rule 2010 requires that associated persons “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.<sup>383</sup> The Rule is “‘designed to enable [FINRA] to regulate the ethical standards of its members’ and ‘encompass[es] business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security.’”<sup>384</sup> It is not necessary for the conduct to “relate to the associated person’s customers or to a securities transaction in order to be covered by Rule 2010.”<sup>385</sup> Rather, to determine whether conduct violates FINRA Rule 2010, the analysis focuses on whether the misconduct “reflects on the associated person’s capacity ‘to comply with the regulatory requirements of the securities business and to fulfill [his or her] fiduciary duties in handling other people’s money.’”<sup>386</sup> To be liable under FINRA Rule 2010, Iannazzo’s conduct

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<sup>381</sup> See Resp’t’s Post-Hr’g Br. 23 (suggesting that the DOJ issued Iannazzo a warning “because Iannazzo did not intend to evade the CTR reporting requirement and has a logical and credible explanation for his activity”).

<sup>382</sup> See *infra* at Section V (Sanctions); FINRA Sanction Guidelines at 5-6 (2024) (General Principle No. 7), <https://www.finra.org/rules-guidance/oversight-enforcement/sanction-guidelines>.

<sup>383</sup> Although FINRA Rule 2010 refers only to the obligation of members to “observe high standards of commercial honor and just and equitable principles of trade,” the Rule applies also to persons associated with a member under FINRA Rule 0140(a), which provides that “[p]ersons associated with a member shall have the same duties and obligations as a member under the Rules.”

<sup>384</sup> *Stephen Grivas*, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173, at \*10 (Mar. 29, 2016) (quoting *Vail v. SEC*, 101 F.3d 37, 39 (5th Cir. 1996)).

<sup>385</sup> *Id.* at \*17 (citations omitted).

<sup>386</sup> *Id.* at \*10 (quoting *Daniel D. Manoff*, Exchange Act Release No. 46708, 2002 SEC LEXIS 2684, at \*13 (Oct. 23, 2002)).

must be business-related and in bad faith or unethical.<sup>387</sup> Unethical conduct is that which is “not in conformity with moral norms or standards of professional conduct.”<sup>388</sup>

The Panel Majority finds that Iannazzo’s conduct was, at a minimum, unethical. By structuring 368 transactions, in violation of federal regulations and his Firm’s policies and procedures, Iannazzo breached the standards of professional conduct for registered persons.<sup>389</sup>

Iannazzo argues, however, that his conduct was “personal,” and not business-related, because he used money from his “personal bank accounts . . . to finance a personal home construction and renovation project.”<sup>390</sup> However, FINRA’s National Adjudicatory Council (“NAC”) has rejected precisely this argument.

In *Dep’t of Enforcement v. White*, the respondent contended his unlawful structuring of transactions did not violate FINRA Rule 2010 because he was “depositing personal gambling winnings into his *personal* bank accounts” and therefore not engaging in business-related conduct.<sup>391</sup> The NAC disagreed. The NAC found the respondent’s structuring of transactions was business-related because his firm had “made plain,” through its policies and procedures prohibiting structuring, including in personal bank accounts, that its employees “have a heightened duty to comply with the laws and regulations” governing the securities industry, and the firm had “demonstrated an interest in overseeing their compliance.”<sup>392</sup>

We find that Iannazzo’s unlawful structuring was business-related for similar reasons. Just as in the case of *White*, cited above, Merrill has demonstrated its interest, through multiple policies and procedures, in ensuring its employees comply with anti-structuring laws, including in their personal banking accounts.<sup>393</sup> We also note that, although Iannazzo engaged in

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<sup>387</sup> *Blair Alexander West*, Exchange Act Release No. 74030, 2015 SEC LEXIS 102, at \*20 (Jan. 9, 2015), *aff’d*, 641 F. App’x 27 (2d Cir. 2016)).

<sup>388</sup> *Kimberly Springsteen Abbott*, Exchange Act Release No. 88156, 2020 SEC LEXIS 2684, at \*28 (Feb. 7, 2020) (quoting *Edward S. Brokaw*, Exchange Act Release No. 70883, 2013 SEC LEXIS 3583, at \*33 (Nov. 15, 2013)), *petition for review dismissed in part and denied in part*, 989 F.3d 4 (D.C. Cir. 2021).

<sup>389</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*43 (by structuring nine deposits, the respondent acted unethically because he “violated [his firm’s] policies and breached the standards of professional conduct for registered persons”).

<sup>390</sup> Resp’t’s Pre-Hr’g Br. 2. See also *id.* at 4 (arguing that the allegations in the Complaint “do not concern Mr. Iannazzo’s business or the manner in which he conducted his business”); Tr. 1531 (closing argument) (arguing that “this has nothing to do with the securities industry”); *accord* Ans. at 1-2.

<sup>391</sup> *White*, 2019 FINRA Discip. LEXIS 30, at \*42.

<sup>392</sup> *Id.*

<sup>393</sup> See, e.g., CX-18, at 28 (“Misuse of Bank of America personal accounts and banking services . . . is prohibited.”); CX-20, at 2 (prohibiting “[m]isuse of personal accounts and banking services”); CX-25, at 25-26, 184, 394 (prohibiting structured transactions); CX-27, at 6 (“If an employee is involved in structuring activity in a client account or an account held by an employee or controlled by an employee (or family member), the employee will be subject to disciplinary action up to, and including, termination of employment.”).

structuring exclusively in his personal accounts and not in any client accounts, those personal accounts included accounts held both at Iannazzo's Firm and at Merrill's banking affiliate, Bank of America. By engaging in structuring in these accounts, Iannazzo interfered with the ability of Merrill and Bank of America to effectively monitor his cash transactions and, thus, to comply with their reporting obligations, thereby exposing both his employer and its banking affiliate to regulatory and reputational risk.<sup>394</sup> This conduct is sufficiently business-related to fall within the broad scope of FINRA Rule 2010.<sup>395</sup>

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In sum, the Panel Majority concludes that Enforcement proved by a preponderance of the evidence that Iannazzo unlawfully structured transactions, as alleged in the Complaint. Through this conduct, Iannazzo violated FINRA Rule 2010.

## V. Sanctions

For Iannazzo's violation of FINRA Rule 2010, the Panel Majority imposes a \$50,000 fine and a two-year suspension from associating with any FINRA member in any capacity.

In determining the appropriate sanctions, the Panel Majority considered the Guidelines, including the General Principles Applicable to All Sanction Determinations ("General Principles") and the Principal Considerations in Determining Sanctions ("Principal Considerations").<sup>396</sup> We also considered all relevant facts and circumstances, including the nature of the underlying misconduct, any aggravating and mitigating factors, and the risk of future harm that Iannazzo poses to the investing public.

The Guidelines do not specifically address structuring. As a result, in other structuring matters, the NAC has determined appropriate sanctions by considering the nature of the violation and the Principal Considerations and General Principles.<sup>397</sup> We do the same here.

The NAC has recognized that structuring is a serious offense.<sup>398</sup> Currency transaction reporting "is an important law enforcement tool" that "helps authorities deter, detect, and

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<sup>394</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*55 (noting that the respondent's structuring activity put his firm "at risk of regulatory action and reputational damage").

<sup>395</sup> See *id.* at \*15-20, \*42-43 (upholding finding of FINRA Rule 2010 violation where the respondent structured transactions in personal checking account at his broker-dealer employer's affiliated bank); see also *Dep't of Enforcement v. Iida*, No. 2012033351801, 2016 FINRA Discip. LEXIS 32, at \*6-9, \*14 (NAC May 18, 2016) (upholding finding of FINRA Rule 2010 violation where the respondent structured transactions in personal savings account at his broker-dealer employer's affiliated bank).

<sup>396</sup> Guidelines at 2-8.

<sup>397</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*49-50; *Iida*, 2016 FINRA Discip. LEXIS 32, at \*15.

<sup>398</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*50; *Iida*, 2016 FINRA Discip. LEXIS 32, at \*15.

prosecute money laundering and other financial crimes, such as tax evasion.”<sup>399</sup> Thus, by structuring transactions to avoid the filing of a CTR, an individual deprives law enforcement officials of important information that might assist them in uncovering other unlawful activity.

We turn next to the relevant aggravating and mitigating factors.

The staggering scope of Iannazzo’s structuring is aggravating and by itself supports the imposition of a \$50,000 fine and a two-year suspension.<sup>400</sup> Even if we were to ignore the additional transactions that Enforcement proved at the hearing but that were not alleged in the Complaint,<sup>401</sup> Iannazzo’s pattern of structuring spanned an extended period of approximately six years, involving 368 transactions, totaling \$845,890.

As discussed above, we find that Iannazzo’s misconduct was intentional, which also is aggravating.<sup>402</sup> The Panel Majority finds that Iannazzo took steps to conceal the full extent of his cash transactions, for example, by dividing his transactions among multiple financial institutions, often on the same day. This further aggravates Iannazzo’s misconduct.<sup>403</sup>

The Panel Majority is also significantly troubled by Iannazzo’s refusal throughout this proceeding to accept responsibility for his own actions. Instead of acknowledging his wrongdoing, the Panel Majority finds that by offering incredible explanations for why he engaged in cash transactions below the \$10,000 reporting threshold Iannazzo gave false testimony at the hearing.<sup>404</sup>

Iannazzo also repeatedly pointed the finger at others. For example, he blamed his Firm for not adequately training him regarding CTR requirements.<sup>405</sup> He also testified that he relied on LCB and Merrill to tell him his conduct was wrong, and he blamed those institutions for not

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<sup>399</sup> *Highland Fin., Ltd.*, 2013 FINRA Discip. LEXIS 39, at \*46 (citation omitted).

<sup>400</sup> See Guidelines at 7-8 (Principal Consideration Nos. 8, 9, 17).

<sup>401</sup> As noted *supra* in footnote 306, Enforcement proved at the hearing that Iannazzo engaged in additional acts of structuring, totaling \$53,480, that were not alleged in the Complaint. See CX-6, at 3-4, 8; CX-7; CX-8, at 2; CX-11, at 2. Although this uncharged conduct is relevant for purposes of sanctions, see *Dep’t of Enforcement v. McCrudden*, No. 2007008358101, 2010 FINRA Discip. LEXIS 25, at \*26 n.20 (NAC Oct. 15, 2010) (“Evidence of misconduct that is not alleged in the complaint but is similar to the misconduct charged in the complaint, is admissible to determine sanctions.”) (citing *Wanda P. Sears*, Exchange Act Release No. 58075, 2008 SEC LEXIS 1521, at \*22 n.33 (July 1, 2008)), the Panel Majority would find that a \$50,000 fine and a two-year suspension are appropriate based entirely on the hundreds of transactions that were alleged in the Complaint.

<sup>402</sup> See Guidelines at 8 (Principal Consideration No. 13).

<sup>403</sup> See Guidelines at 7 (Principal Consideration No. 10); *White*, 2019 FINRA Discip. LEXIS 30, at \*52 (finding it aggravating that the respondent “concealed the full extent of his misconduct” by splitting same-day deposits between two financial institutions).

<sup>404</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*53 (the respondent’s “untruthfulness and lack of candor at the hearing appreciably aggravates his misconduct”).

<sup>405</sup> See, e.g., Tr. 620.

putting a stop to his unlawful structuring earlier.<sup>406</sup> As Iannazzo testified at the hearing, “I got into a pattern of nobody having an issue with this, so I continued to do it not knowing the consequences.”<sup>407</sup> Indeed, even when Iannazzo finally got caught, and FINRA started investigating, he did not acknowledge his wrongdoing. Instead, he threatened to sue LCB because he believed the bank had reported his conduct.<sup>408</sup> Iannazzo’s repeated refusal to accept responsibility for his actions and his blame-shifting arguments are significantly aggravating because they suggest he does not understand or does not accept his obligations as a registered representative and it “heightens our concern that he may engage in similar misconduct in the future.”<sup>409</sup>

Iannazzo argues that numerous mitigating factors are present, which he claims work in favor of issuing a letter of caution.<sup>410</sup> However, all the factors he identifies either are not mitigating or they do not outweigh the need for a lengthy suspension and fine.

As Iannazzo points out, the General Principle No. 7 of the Guidelines recommends, where appropriate, that adjudicators should consider sanctions previously imposed by other regulators or previous corrective action imposed by a firm on an individual respondent based on the same conduct.<sup>411</sup> Relying upon this General Principle, Iannazzo argues it is mitigating that Merrill, LCB, the DOJ, and the State of Connecticut either took no action against him or issued him a letter of warning. However, Iannazzo misunderstands the rationale behind this General Principle. Previous regulatory sanctions or corrective action imposed by a firm may be treated as mitigating if they “materially reduce the likelihood” of respondent’s future misconduct.<sup>412</sup>

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<sup>406</sup> See, e.g., Tr. 640 (“I refer to the management team to let me know if I am doing something that is not appropriate.”); 890-91 (claiming he did not follow up after receiving FinCEN pamphlet because he “relied on the people that were handing it to me”); 892-93 (blaming LCB for failing to give him a FinCEN pamphlet for “four to five years”); 893-94 (blaming LCB for doing “nothing” after giving him a FinCEN pamphlet); 958 (suggesting he did not think there was anything wrong with his transactions because “nobody sa[id] anything”); 1066-67 (testifying he did not think it was necessary to tell Merrill he had received a FinCEN pamphlet because Merrill allegedly was aware of his activity, which “[a]t this point in time . . . ha[d] been going on for five to six years”); 1335 (“I assumed if there was an issue, [the LCB teller] would have said I can’t do this for you.”).

<sup>407</sup> Tr. 971.

<sup>408</sup> See JX-25, at 5, 11; JX-25a.

<sup>409</sup> *Dep’t of Enforcement v. Casas*, No. 2013036799501, 2017 FINRA Discip. LEXIS 1, at \*45 (NAC Jan. 13, 2017); see also *Edward Beyn*, Exchange Act Release No. 97325, 2023 SEC LEXIS 980, at \*19 (Apr. 19, 2023) (the respondent’s “attempts at blame shifting fail because [he] ‘is responsible for his actions and cannot shift that responsibility to the firm or his supervisors.’”) (citation omitted), *petition for review filed*, No. 23-6526 (2d Cir. May 19, 2023); *Mitchel H. Fillet*, Exchange Act Release No. 79018, 2016 SEC LEXIS 3773, at \*18 & n.16 (Sept. 30, 2016) (“[Respondent’s] refusal to acknowledge his misconduct and attempts to deflect blame increase the likelihood that he would engage in similar misconduct in the future.”).

<sup>410</sup> Resp’t’s Pre-Hr’g Br. 19-29; Resp’t’s Post-Hr’g Br. 25.

<sup>411</sup> Resp’t’s Pre-Hr’g Br. 20-21; Guidelines at 5 (General Principle No. 7).

<sup>412</sup> See Guidelines at 6 (discussing circumstances under which a prior termination may be mitigating).



Merrill gave Iannazzo a warning letter in December 2021.<sup>413</sup> It does not provide the Panel Majority assurances that Iannazzo’s prior misconduct will not recur. Indeed, even Iannazzo characterized the warning he received from Merrill as “lenient” and a “slap on the wrist.”<sup>414</sup>

The warning letter addressed Iannazzo’s cash activity and two other instances of misconduct Merrill had uncovered.<sup>415</sup> Merrill reviewed at least some of Iannazzo’s cash transactions, and, without identifying the number of transactions, the total dollar amounts involved, and the time period of the activity, the letter stated the Firm had concluded that Iannazzo had violated its policies.<sup>416</sup> The warning stated that the cash activity in Iannazzo’s accounts “gives the appearance of avoiding the CTR requirements. This is a violation of Firm policy, including the Code of Conduct, which states that an employee must not take any action that violates any law, rule, regulation or internal company policy or procedure, including anti-money laundering rules and regulations.”<sup>417</sup>

In August 2021, months before Merrill’s warning, the United States Attorney for Connecticut sent Iannazzo a warning letter stating, “the Government has reason to believe that certain transactions you . . . conducted may have been structured to prevent a bank from fulfilling its notice requirements.”<sup>418</sup> The letter instructed Iannazzo to sign and return an attached Notification of Law summarizing federal currency transaction reporting requirements to acknowledge that he received, read, and understood the letter’s contents.<sup>419</sup> Iannazzo could not recall whether he signed and returned the Notification of Law to the U.S. Attorney’s office.<sup>420</sup>

In February 2022, two months after issuing the warning letter, Merrill terminated Iannazzo’s registration with the Firm for reasons unrelated to his structuring activities.<sup>421</sup>

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<sup>413</sup> JX-3.

<sup>414</sup> Tr. 596-97.

<sup>415</sup> Merrill found that Iannazzo failed to disclose and obtain approval for a \$50,000 personal investment in a company and failed to timely disclose immediate family members’ securities accounts they maintained at another broker-dealer. JX-3.

<sup>416</sup> JX-3.

<sup>417</sup> JX-3, at 1. Pursuant to the warning, Iannazzo became ineligible for certain awards and trips, including Merrill’s Elite Performance Forums and its Top Advisor Summit benefits, and, for a period of one year, for account distributions and new leads and referrals. He was prohibited from media appearances and external recognition, including top advisor rankings published by financial industry journals. Also, the Firm’s Heightened Supervision Working Group was tasked with determining if Iannazzo should be placed on heightened supervision. JX-3.

<sup>418</sup> RX-4, at 1.

<sup>419</sup> RX-4.

<sup>420</sup> Tr. 1116-17.

<sup>421</sup> JX-1, at 5. General Principle No. 7 states, “A firm-imposed fine or suspension is most comparable to FINRA-imposed sanctions when FINRA’s sanctions would have also included a fine or suspension, and Adjudicators should

Iannazzo continues to argue that neither Merrill nor the DOJ found he did anything wrong even though both warning letters told him that the Firm and the DOJ had determined that his transactions appear to constitute structuring.<sup>422</sup> Under these circumstances, the warning letters that the DOJ and Merrill issued to Iannazzo have no mitigative value.

We find it only slightly mitigating that there is no evidence that Iannazzo’s cash withdrawals and deposits derived from criminal or other illegal activity.<sup>423</sup> However, given the prophylactic purpose of the anti-structuring laws, and the overwhelming predominance of aggravating factors, this factor does not outweigh the need for a fine and lengthy suspension.

Iannazzo also argues “[t]here is no other party, including the investing public, that was harmed” by his conduct.<sup>424</sup> Iannazzo misses the point. By structuring transactions in his accounts at Merrill and its affiliated bank, Iannazzo exposed his employer to the risk of regulatory action and reputational damage.<sup>425</sup> Further, while Iannazzo’s conduct may not have involved any customers, it is well established that the absence of customer harm is not mitigating.<sup>426</sup>

Iannazzo also claims we should consider mitigating the fact that he “did not get any monetary gain by depositing or withdrawing his own funds in the manner that he did.”<sup>427</sup> However, even assuming Iannazzo did not profit from his actions, the absence of monetary gain is not mitigating.<sup>428</sup> But Iannazzo did acknowledge that contractors discounted their invoices and gave his home projects priority if he agreed to pay with cash.

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consider according some mitigative weight where these firm-imposed sanctions have already been fully satisfied by a respondent.” Guidelines at 5-6.

*See also Saad v. SEC*, 873 F.3d 297, 302-03 (D.C. Cir. 2017), *aff’d*, Exchange Act Release No. 86751, 2019 SEC LEXIS 2216 (Aug. 23, 2019), *petition for review denied*, 980 F. 3d 103 (D.C. Cir. 2020) (recognizing that a firm’s disciplinary action prior to regulatory detection may be considered mitigating).

<sup>422</sup> Resp’t’s Post-Hr’g Br. 1, 23.

<sup>423</sup> *See White*, 2019 FINRA Discip. LEXIS 30, at \*55 (treating the “legal source” of the structured funds as mitigating).

<sup>424</sup> Resp’t’s Pre-Hr’g Br. 26.

<sup>425</sup> *See White*, 2019 FINRA Discip. LEXIS 30, at \*55 (treating as aggravating that the respondent exposed his employer to the risk of regulatory action and reputational harm).

<sup>426</sup> *See id.* at \*55-56.

<sup>427</sup> Resp’t’s Pre-Hr’g Br. 26.

<sup>428</sup> *See Trevor Michael Saliba*, Exchange Act Release No. 91527, 2021 SEC LEXIS 865, at \*60 (Apr. 9, 2021), *modified*, No. 2013037522501r, 2022 FINRA Discip. LEXIS 12 (NAC Oct. 6, 2022), *aff’d*, Exchange Act Release No. 99940, 2024 SEC LEXIS 852 (Apr. 11, 2024).

All of Iannazzo's remaining arguments for mitigation are meritless. The fact that Iannazzo has no past disciplinary history is not mitigating.<sup>429</sup> Nor is it relevant for the purposes of sanctions that Iannazzo may have complied with FINRA's investigation.<sup>430</sup>

Finally, Iannazzo argues, based on prior structuring cases in which FINRA imposed lesser sanctions, a letter of caution is appropriate.<sup>431</sup> However, "the appropriateness of the sanctions imposed depends on the facts and circumstances of the particular case and cannot be determined precisely by comparison with action taken in other cases."<sup>432</sup> Based on the particular circumstances of this case, including the serious nature of the offense and the presence of numerous aggravating factors, we find that a substantial sanction is necessary to prevent and discourage future misconduct by Iannazzo and also to deter others from engaging in similar misconduct.<sup>433</sup>

Consistent with the Guidelines, and after carefully considering the facts and circumstances of this case, and weighing both mitigating and aggravating factors, the Panel Majority concludes that a \$50,000 fine and a two-year suspension from associating in any capacity with any FINRA member firm are appropriate. The Panel Majority believes that the sanctions are appropriately remedial and will serve to dissuade others from engaging in similar misconduct.

## **VI. Order**

A majority of the Extended Hearing Panel finds that Respondent James Iannazzo violated FINRA Rule 2010 by structuring cash deposits and withdrawals, as alleged in the sole cause of action. For this violation, the Panel Majority fines Iannazzo \$50,000 and suspends him for two years from associating with any FINRA member firm in any capacity.

If this decision is appealed to the NAC, sanctions, if any are imposed, will not go into effect until the NAC issues its decision and that decision becomes FINRA's final disciplinary

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<sup>429</sup> See *White*, 2019 FINRA Discip. LEXIS 30, at \*56.

<sup>430</sup> *Howard Braff*, Exchange Act Release No. 66467, 2012 SEC LEXIS 620, at \*25 (Feb. 24, 2012) (the respondent's "compliance with his obligation to cooperate with an investigation is not a mitigating factor") (citation omitted).

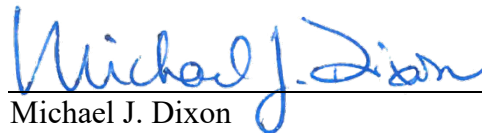
<sup>431</sup> Resp't's Pre-Hr'g Br. 26-27.

<sup>432</sup> *White*, 2019 FINRA Discip. LEXIS 30, at \*58-59 (citation omitted).

<sup>433</sup> See Guidelines at 2 (General Principle No. 1).

action. If this decision becomes FINRA’S final disciplinary action, the suspension shall become effective with the opening of business on **Monday, April 7, 2025**.

Iannazzo is also ordered to pay the hearing costs of \$13,278.91, consisting of a \$750 administrative fee and \$12,528.91 for the cost of the transcript. The costs shall be due on a date set by FINRA but not sooner than 30 days after this decision becomes FINRA’s final action.<sup>434</sup>



Michael J. Dixon  
Hearing Officer  
For the Extended Hearing Panel  
Majority

## **DISSENT**

**Panelist dissenting from the majority of the Extended Hearing Panel regarding the sole cause of the Complaint alleging that Iannazzo engaged in structuring in violation of FINRA Rule 2010.**

I respectfully disagree with my fellow panelists’ conclusions. I am unable to join in the Panel Majority’s finding that Enforcement proved that, as a matter of law, Iannazzo violated FINRA Rule 2010 by engaging in unlawful structuring.

First, I listened carefully to Iannazzo’s testimony. I credit most of his explanations for his admittedly multiple and large cash transactions. For me, these explanations overcome inferences that he knowingly engaged in structuring—meaning that he acted with the intent to prevent Merrill, LCB, and Bank of America from filing CTRs. I therefore find that Enforcement failed to meet its burden of proving all three elements of a structuring violation by a preponderance of the evidence.

Second, I find that it was improper for FINRA’s Department of Enforcement to use the “catch-all” FINRA Rule 2010 to reach Iannazzo’s cash transaction activity. FINRA’s regulatory mandate is to oversee U.S.-based broker-dealers and persons associated with them to protect investors and ensure the integrity of the securities markets. This case does not involve Iannazzo’s securities customers or the securities markets.

Third, the purpose of currency transaction reports is to provide law enforcement authorities with information to enable them to detect unlawful conduct, such as money

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<sup>434</sup> The Hearing Panel considered and rejected without discussion all other arguments by the parties.

laundering, tax evasion, and other criminal activity. Enforcement did not show that Iannazzo was involved in or connected in any manner to any underlying criminal activity or that his cash transactions were derived from or in any way involved unlawful activity.

I note that other expert regulators and law enforcement authorities reviewed Iannazzo's conduct and the facts surrounding his activities and declined to take meaningful action. Merrill reviewed the activity and issued Iannazzo only a written warning—basically the equivalent of a letter of caution. The U.S. Department of Justice reviewed the same activity. It sent Iannazzo a letter asking him to acknowledge that he had read federal currency transaction reporting requirements and structuring rules. Connecticut's state banking regulator similarly reviewed the activity and even interviewed Iannazzo. It declined to pursue charges or otherwise take any action.

Fourth, even if I were to agree with my fellow panelists on liability—which I do not—I find that the evidence does not support or justify ending a 30-year professional career, which I believe is the almost certain consequence of the Panel Majority's sanctions. If, for the sake of argument, I were to have found liability, I would have imposed only the most lenient possible sanctions given the facts and circumstances present in this case.

In summary, none of the Firm's customers were involved. Iannazzo's conduct was unrelated to any securities transactions or securities markets. Enforcement identified no unlawful purpose or intent by Iannazzo. It also did not show there was any criminal activity—for example, gambling, drug trafficking, tax evasion, or money laundering. No other regulator or law enforcement authority took action against Iannazzo. Finally, the alleged misconduct did not involve violations of any specific FINRA Rule besides the catch-all Rule 2010.

For these reasons, I respectfully dissent from the Panel Majority's finding that Iannazzo violated FINRA Rule 2010 by engaging in structuring, as alleged in the sole cause of the Complaint.

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