

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

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Charles Laubach, CRD # 1097453

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Securities Docket No. 2019-0169

Respondent

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ORDER TO SHOW CAUSE

WHEREAS, pursuant to section 11-405 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. & 2018 Supp.) (the "Act"), Charles Laubach ("Laubach" or "Respondent") (the "Respondent") was registered with the Maryland Division of Securities (the "Division") as an agent and/or as an investment adviser representative from 1994 until August 19, 2019, when his registrations as an agent and investment adviser representative were terminated; and

WHEREAS, in June 2019, Laubach submitted, and the Financial Industry Regulatory Authority ("FINRA") accepted, a Letter of Acceptance, Waiver and Consent, wherein Laubach, without admitting or denying the findings, consented to a ten day suspension from associating in any and all capacities with any FINRA member firm and a \$5,000 fine, for exercising discretion without written authorization in the accounts of nine customers; and

WHEREAS, on or about September 16, 2019, FINRA revoked Laubach's registration as a general securities agent for failing to pay fines and costs; and

WHEREAS, the Maryland Securities Commissioner (the "Commissioner") has determined that grounds exist to conclude that Respondent has engaged in acts or practices constituting violations of the securities and antifraud provisions of the Act; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Order to Show Cause;

NOW THEREFORE, pursuant to sections 11-301, 11-412(a)(2), (a)(6) and (a)(7), 11-415(c), and 11-801 of the Act, it is hereby:

ORDERED, that Respondent show cause why his registration as an agent and as an investment adviser representative should not be revoked, why Respondent should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a statutory penalty of up to \$5,000 per violation should not be entered against Respondent.

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Act.

II. RESPONDENT

2. At all times relevant to this matter, Charles Laubach maintained a place of business in Baltimore, MD and a place of residence in Harford County, MD. From March or April of 2016 to August 19, 2019, Laubach was registered with the State of Maryland as a broker-dealer agent and investment adviser representative, and with FINRA as a general securities agent, for Capital Portfolio Management, Inc. (“CPM Inc.”). From March 2015 to March 2016, Laubach was registered with the State of Maryland as a broker-dealer agent and investment adviser representative, and with FINRA as a general securities agent for Chapin Davis, Inc. From September 2012 to February 2015, Laubach was registered with the State of Maryland as a broker-dealer agent and investment adviser representative, and with FINRA as a general securities agent, for Ameriprise Financial Services, Inc. Prior to that, since 1994, Laubach was registered with the

State of Maryland as a broker-dealer agent and/or investment adviser representative, and with FINRA as a general securities agent for various broker-dealer firms.

III. STATEMENT OF FACTS

On information and belief, the Commissioner alleges the following as the basis for this Order.

1. Prior to joining CPM Inc., Laubach's CRD record reflected that he was discharged from two previous employers for allegedly mismarking trade tickets and failing to follow firm policies or procedures.

2. Based upon Laubach's CRD history, on or about April 26, 2016, the Division approved Laubach's applications for registration as an agent and investment adviser representative for CPM Inc. pursuant to a conditional registration order.

3. Likewise, as a result of Laubach's termination for mismarking trade tickets and failing to follow firm procedures, the State of Colorado required Laubach to enter into, and approved his agent license pursuant to, a licensing order/agreement imposing conditions on Laubach's license as an agent in Colorado for a period of five years.

4. Subsequent to registering Laubach, the State of Colorado determined that Laubach violated the terms of their licensing order/agreement and, on or about July 20, 2018, issued a Consent Order wherein Laubach agreed to withdraw his agent license in Colorado and further agreed to not reapply for a license in Colorado.

5. In or about June 2019, FINRA accepted a Letter of Acceptance, Waiver and Consent ("AWC") submitted by Laubach in which, without admitting or denying the findings, Laubach agreed to a ten day suspension from associating in any and all capacities with any FINRA

member and a \$5,000 fine for effecting approximately 60 discretionary transactions in the accounts of nine customers without obtaining prior written authorization from the customers and without the accounts being designated as discretionary accounts.

6. On September 16, 2019, FINRA revoked Laubach's registration as a general securities representative for failure to pay fines and costs associated with the AWC.

COUNT I
(Fraud in Connection with the Offer and Sale of Securities - section 11-301)

WHEREAS, section 11-301 of the Act makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, Laubach violated section 11-301 of the Act by effecting discretionary transactions in the accounts of nine customers without obtaining prior written authorization from the customers and without the approval of his firm;

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondent show cause why his registrations as an agent and as an investment adviser representative should not be revoked; why Respondent should not be barred permanently from engaging in the securities and investment advisory business in Maryland; and why a statutory penalty of up to \$5,000 per violation should not be entered against Respondent.

COUNT II
(Revocation of Registration - Section 11-412)

WHEREAS, section 11-415(c) of the Act provides that although withdrawal from registration as a broker-dealer, agent, investment adviser, or investment adviser representative becomes effective 90 days after receipt of an application to withdraw, the Commissioner may institute a proceeding to revoke or suspend under section 11-412(a)(2) within two years after withdrawal became effective and enter a revocation order as of the last date on which the registration was effective; and

WHEREAS, section 11-412(a)(2) of the Act provides that the Commissioner by order may deny, suspend, or revoke any registration if she finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser, has willfully violated or willfully failed to comply with any provisions of this title, a predecessor act, or any rule or order under this title or a predecessor act; and

WHEREAS, Respondent willfully violated or failed to comply with section 11-301 of the Act, and grounds exist under section 11-412(a)(2) of the Act to revoke Respondent's agent and investment adviser representative registrations; and

WHEREAS, section 11-412(a)(6) of the Act authorizes the Commissioner to deny, suspend, or revoke any registration if she finds that the Order is in the public interest and that the applicant or registrant is the subject of an order entered within the past five years by the securities administrator or any other financial services regulator of any state or by the Securities and Exchange Commission denying, suspending, or revoking registration as a broker-dealer,

investment adviser, investment adviser representative, or agent or the substantial equivalent of those terms as defined in this title, or any other financial services license or registration, or is the subject of an order by the Commodity Futures Trading Commission denying, suspending, or revoking registration under the Commodity Exchange Act, or is suspended, expelled, or barred from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934 either by action of a national securities exchange or national securities association, the effect of which action has not been stayed by appeal or otherwise, or by order of the Securities and Exchange Commission, or is the subject of a United States post office fraud order; and

WHEREAS, Respondent's registration as a general securities representative with FINRA was revoked, and grounds exist under section 11-412(a)(6) of the Act to revoke Respondent's agent and investment adviser representative registrations; and

WHEREAS, section 11-412(a)(7) of the Act authorizes the Commissioner to deny, suspend, or revoke any registration if she finds that such Order is in the public interest and that the applicant or registrant has engaged in dishonest or unethical practices in the securities or investment advisory or any other financial services business; and

WHEREAS, Respondent engaged in dishonest and unethical practices by exercising discretion in clients' accounts without their written authorization and without the approval of his firm, and grounds exist under section 11-412(a)(7) of the Act to revoke Respondent's agent and investment adviser representative registrations;

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondent show cause why his registrations as an agent and as an investment adviser representative should not be revoked.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER ORDERED, pursuant to section 11-801 of the Act and COMAR 02.02.06.06, that Respondent shall file with the Commissioner a written Answer to this Order within 15 days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether Respondent requests a hearing. A hearing will be scheduled in this matter if one is requested in writing. Failure by Respondent to file a written request for a hearing in this matter shall be deemed a waiver by Respondent of the right to such a hearing. Failure of Respondent to file an Answer, including a request for a hearing, shall result in entry of a final order:

- (a) revoking Respondent's registration as an agent and as an investment adviser representative in Maryland;
- (b) imposing on Respondent a monetary penalty of up to \$5,000 per violation of the Act; and
- (c) barring Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged.

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

October 11, 2019

Melanie Senter Lubin
Maryland Securities Commissioner