FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073920901

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

RE: William Henry Sandeman (Respondent)
Former General Securities Representative
CRD No. 831384

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

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Sandeman first registered with FINRA in 1977 as a General Securities Representative (GS) through an association with a former FINRA member firm and, since then, has been associated with several current and former FINRA members. From December 2000 to January 2025, Sandeman was registered with FINRA as a GS through an association with FINRA member Wedbush Securities Inc. On January 7, 2025, Wedbush filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Sandeman's association with the firm had been terminated due to "[l]ack of confidence related to performance."

Although Sandeman is not currently associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.[1]

OVERVIEW

Between December 2020 and January 2025, Sandeman recommended that 81 retail customers purchase and hold volatility-linked and non-traditional exchange-traded

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

products (ETPs) as long-term investments. Sandeman made these recommendations without a reasonable understanding of the risks associated with the products and without a reasonable basis to believe that the recommendations were in the best interest of his retail customers. As a result, Sandeman willfully violated Rule 15*l*-1(a)(1) of the Securities Exchange Act of 1934 (Regulation BI or Reg BI) and violated FINRA Rule 2010. For these violations, Sandeman is barred from associating with any FINRA member in all capacities.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA examination of Wedbush.

Regulation Best Interest

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15*l*-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Reg BI's Adopting Release provides that what constitutes "reasonable diligence" depends on, among other things, the complexity of, and risks associated with, the recommended security.[2] The Care Obligation requires broker-dealers and their associated persons to have a reasonable basis to believe that the recommendation could be in the best interest of at least *some* retail investors.

Reg BI's Care Obligation also requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Regulation BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Reg BI's Adopting Release provides that what is in the best interest of a retail customer depends on the facts and circumstances of the recommendation, including "matching" the

[2] *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33376 (July 12, 2019).

recommended security to the retail customer's investment profile. Where the "match" between the retail customer profile and the recommendation appears less reasonable, it is more important for the associated person to establish that he or she had a reasonable belief that the recommendation was in the best interest of the retail customer.[3]

In adopting Reg BI, the SEC cited Regulatory Notices 12-03 and 17-32 relating to complex and high risk products, cautioning that, "when a broker-dealer recommends a potentially high risk product to a retail customer… the broker-dealer should generally apply heightened scrutiny to whether such investments are in a retail customer's best interest." Emphasizing the importance of understanding the terms, features, and risks of such products in order to form a reasonable basis to recommend them to retail customers, the SEC further stated that "these products may not be in the best interest of a retail customer absent an identified, short-term, customer-specific trading objective."[4]

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

Volatility-linked ETPs

Volatility-linked ETPs attempt to provide exposure to the Chicago Board Options Exchange Volatility Index (VIX) by tracking or holding investments in VIX futures, although they do not track the VIX on a one-to-one basis. To maintain continuous exposure to the VIX, a VIX futures position must be sold before it expires and be replaced by a futures contract with a more distant maturity date. A contract with a more distant maturity date is typically more expensive than one set to expire sooner. As a result, a volatility-linked ETP that is held for a long period of time is highly likely to lose value.

Since January 2009, when the first volatility-linked ETP available to retail investors was introduced, volatility-linked ETP sponsors have warned about the risks associated with such securities. In October 2017, FINRA Regulatory Notice 17-32 reminded member firms and their associated persons that "many volatility-linked ETPs are highly likely to lose value over time. Accordingly, volatility-linked ETPs may be unsuitable for certain retail investors, particularly those who plan to use them as traditional buy-and-hold investments."

Non-traditional ETPs

Non-traditional ETPs are designed to return a multiple of an underlying index or benchmark, the inverse of that benchmark, or both, over the course of one trading session, usually a single day. Non-traditional ETPs typically rebalance their portfolios on a daily basis. Due to the effects of compounding of daily returns during the holding

[3] Adopting Release at 33382.

[4] Adopting Release at 33376.

period, the performance of non-traditional ETPs over periods longer than a single trading session can differ significantly from the performance of their underlying index or benchmark during the same period of time. In June 2009, FINRA Regulatory Notice 09-31 reminded members and their associated persons that non-traditional ETPs are "highly complex financial instruments" that "typically are unsuitable for retail investors who plan to hold them for more than one trading session, particularly in volatile markets."

Sandeman recommended investments in volatility-linked ETPs and non-traditional ETPs that were not in the best interests of his retail customers.

Between December 2020 and January 2025, Sandeman recommended that 81 retail customers purchase and hold volatility-linked and non-traditional ETPs as long-term investments. Sandeman did not have a reasonable basis to believe that these recommendations could be in the best interest of at least some retail customers. Sandeman did not understand the risks associated with volatility-linked ETPs and non-traditional ETPs, including holding period risk. Sandeman did not conduct any research about the volatility-linked and non-traditional ETPs that he recommended and did not review prospectuses for these products, which stated the risks associated with holding these products long term. For example, the prospectus for one volatility-linked ETP that Sandeman recommended to many customers stated that, "[i]f you hold your [ETPs] as a long term investment, it is likely that you will lose all or a substantial portion of your investment."

Sandeman also recommended that 81 retail customers purchase and hold volatility-linked and non-traditional ETPs without a reasonable basis to believe that the recommendations were in the best interests of the particular retail customers in light of the potential risks, rewards, and costs associated with the recommendations. In recommending that his retail customers buy and hold volatility-linked and non-traditional ETPs, Sandeman did not consider his customers' specific investment profiles, including their investment objectives and risk tolerance. The majority of the customers to whom he recommended these products had conservative or moderate risk tolerances and 59 were senior investors.

On Sandeman's recommendation, his customers purchased and held volatility-linked or non-traditional ETPs for periods as long as nearly four years, with the vast majority of customers holding these products for longer than one year. As of January 2025, his customers suffered more than $3.5 million in realized losses resulting from their investments in these products.

Therefore, Sandeman willfully violated Exchange Act Rule 15*l*-1(a)(1) and violated FINRA Rule 2010.

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

- a bar from associating with any FINRA member in all capacities.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

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

The sanctions imposed in this AWC shall be effective on a date set by FINRA. The bar shall become effective on the date of the notice of acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

A. To have a complaint issued specifying the allegations against him;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

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

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

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313;

4. this AWC may be taken into consideration by employers and other regulatory or licensing entities or authorities in their hiring, retention, licensing, or other decisions. This AWC may also have other adverse collateral consequences outside of FINRA's control; and

5. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the

terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

9/21/26
Date

William Henry Sandeman
Respondent

Reviewed by:

Edward Decker
Counsel for Respondent
Miller Nash LLP
1140 SW Washington Street, Suite 700
Portland, OR 97205

Accepted by FINRA:

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

October 5, 2026
Date

Katherine Wyman
Principal Counsel
FINRA
Department of Enforcement
100 Pine Street, 18th Floor
San Francisco, CA 94111