
pattern of 'bad behavior' may have tipped scales, other lawyers say

James 'Jim' Iannazzo faces fines, two-year ban on securities sales -- potentially a career killer -- but the case could ultimately hinge on an appeal... and politics.

Author Oisin Breen February 13, 2025 at 8:46 PM



 **0 Comments**



James 'Jim' Iannazzo: I got into a pattern of nobody having an issue with this, so I continued to do it.

Brooke's Note: We have written our fair share about Jim Iannazzo and how he fared after throwing a tantrum in a smoothie shop, getting fired by Merrill Lynch, and then investigated by FINRA. I always get at least one note admonishing me for covering a broker in our RIA publication. Fair enough. But it's hard to tell the "RIA" story without looking at wirehouse brokers – and how they're regulated. FINRA gets criticized for merely demanding financial advisors meet a "suitability standard." It differs from the SEC "fiduciary standard" because it is more concerned with the letter of the law than the spirit of the law – i.e. to put client interests ahead of the advisor. In this case, FINRA is taking heat from some for getting drawn in by the spirit of the case at the expense of adjudicating

based on the facts. Some fellow brokers and some lawyers say Iannazzo didn't break any rules, at least not egregiously enough to merit a long suspension. Luckily, we have two veteran Wall Street lawyers to walk us through how FINRA may have operated in this gray area, and why an alleged lack of remorse and a "pattern of behavior" matter and are indefensible. And why that gray area may give Iannazzo a "Trump" card to play as the new, more lax administration takes hold.

Merrill Lynch took a single weekend to fire the so-called 'smoothie stockbroker' in 2022, and nearly three years later, FINRA has rendered a similarly harsh verdict, albeit for a different infraction. See: [Why FINRA's late appearance into smoothie-throwing broker James Iannazzo's life might be rough.](#)

Jim Iannazzo, 51, the Southport, Conn., broker who went ballistic in a smoothie shop over a drink order, just got hit with a \$50,000 fine and two-year FINRA suspension for alleged "structuring." See: [Iannazzo goes ballistic in a bigoted tirade caught on video.](#)

The punishment was "aggravated" by his "repeated refusal to accept responsibility for his actions," the regulator says.

FINRA also cited a 2021 incident in which an "irate" Iannazzo confronted a bank teller, who he believed had informed regulators.



Bill Singer: More than a three-month suspension is often the equivalent of a bar.

But some lawyers and other

experts believe FINRA overreached in the latest case.

The infraction involves limiting cash deposits, or withdrawals, to avoid a Currency Transaction Report (CTR). Between 2014 and 2021, Iannazzo made \$845,980 in cash transfers below the \$10,000 threshold set by the Bank Secrecy Act.*

"Structuring is only a crime if the purpose is to evade reporting, among other reasons. If there is any logical explanation, then it shouldn't amount to a federal crime," said Max Schatzow, managing partner of RIA Lawyers in Princeton, N.J., in a July 2023 interview.

Unjustified finding

One of the three panelists who heard the FINRA case also dissented, claiming FINRA overreached by investigating Iannazzo's private affairs without proof of criminal* activity.

The FINRA panelist also argued that the punishment did not fit the crime. See: [Infamous stockbroker resolves civil suit stemming from violent tirade.](#)

“The evidence does not support or justify ending a 30-year professional career, which I believe is the almost certain consequence ... [If] I were to have found liability, I would have imposed only the most lenient possible sanctions,” the panelist wrote in the dissent.

The unnamed panelist also noted that Merrill Lynch – Iannazzo's employer during the FINRA investigation – the US Department of Justice, and Connecticut's state banking regulator all reviewed the case and either dropped it or issued a “letter of caution.”

Indeed, in Aug. 2021, the U.S. Attorney for Connecticut sent Iannazzo a warning letter. “The government has reason to believe that certain transactions you ... conducted may have been structured to prevent a bank from fulfilling its notice requirements,” it noted.

Merrill also issued Iannazzo a warning letter in Dec. 2021, outlining concerns over his cash activity; his failure to disclose and obtain approval for a \$50,000 investment in a company, and his failure to disclose that immediate family members held brokerage accounts at rival broker-dealers.

Right of Appeal

It's unknown how far Iannazzo will pursue the case, but a firm or individual can appeal a FINRA decision to the Securities and Exchange Commission (SEC) and then to federal court.

He has a capable lawyer in David Gehn, says Bill Singer, a former FINRA, NASD, and Smith, Barney, Harris & Upham lawyer.

“On appeal to the SEC, Iannazzo might [also] find that the three Republican members – the chair and two commissioners – might be a better-sounding board for his arguments about regulatory overreach,” Singer notes.

Gehn, a partner at Washington, D.C. law firm of Fox Rothschild, told [AdvisorHub](#) FINRA's ruling follows “tortured reasoning.”

He also said he is “encouraged” by the dissenting panelist's views.

The severity of the punishment meted out by FINRA could also increase Gehn's chance of overturning the verdict, Singer says.

“A FINRA sanction of, say, more than three months is often the equivalent of a bar because no wirehouse will hire you, no regional will hire you, and the firms that may hire such a walking wounded are often of dubious reputation,” he explains.



Ari Sonneberg: When there's more than a single occurrence of bad behavior, we leave the lapse of judgment realm.



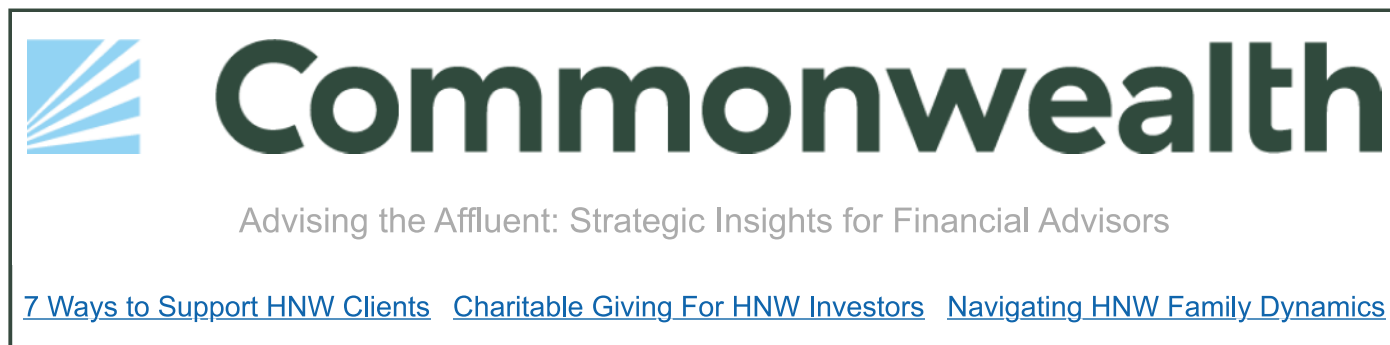
Jim Iannazzo's lawyer, David Gehn says FINRA's ruling follows “tortured reasoning.”

“The sanction was not to bar the respondent but to suspend him,” he says, noting that an arguably [stronger 2021 FINRA case](#) involving a different defendant resulted in a lighter punishment.

Behavior counts

FINRA's case could have been avoided had Iannazzo controlled his temper three years ago, according to Ari Sonneberg, partner at Boston law firm, Wagner Law Group.

“Whether this might have gone undetected, or unprosecuted, had Iannazzo’s reputation not preceded him, we’ll never know,” Sonneberg says, via email.



In a Financial Industry Regulatory Association (FINRA) hearing [document](#), one LCB employee describes Iannazzo as being "irate" with a teller, during a May 2021 visit, which led to a follow-up letter from the bank asking him to close his account.

FINRA also reports that during a July 2021 visit to the same branch, Iannazzo non-consensually recorded his conversations with bank staff; blamed the LCB for an ongoing FINRA investigation and threatened both to sue the LCB, and to convince his clients to withdraw their business from the Connecticut bank.

Sonneberg drew a distinction between a lapse in judgment and bad behavior.

“A lapse in judgment is when someone does something completely beyond their typical good character – arguably, depending on the egregiousness of the offense, forgivable,” he explains.

“When there's more than a single occurrence of bad behavior, we leave the lapse-of-judgment realm and enter the pattern-of-bad-behavior realm.

“When someone becomes known for their bad behavior, they should not be surprised when every element of their business is scrutinized ... and it is certainly possible that treatment of staff [is] taken into account,” he adds.

Invited scrutiny

Yet Singer insists that FINRA would have paid little heed to Iannazzo's interactions with the smoothie workers, even if the wider public might deem it problematic.

As an attorney, “who investigated and prosecuted such cases ... I don't think that the alleged mistreatment of retail staff likely weighed much, if at all, on the outcome,” he says, in an email.

“[But] there were enough troubling allegations and questionable conduct that [Iannazzo] sort of invited the scrutiny that was forthcoming.

This raised “[the question] as to whether [structuring](#) was engaged in ... with knowledge of, and an intent to evade, federal currency reporting,” he says.



Max Schatzow:
Structuring is only a crime if the purpose is to evade reporting.

Social media shift

Iannazzo elicited little sympathy when Merrill fired him after a video went viral capturing him throwing [a smoothie](#) and screaming racial slurs at four young female workers.

He said at the time he was reacting to the flippant attitude of one worker when he tried to find out if his son's allergy to peanuts was triggered by legumes in the drink after he asked to avoid them. See: [Merrill Lynch fires and removes all corporate traces of Jim Iannazzo](#).

But social media critics were brutal. “Disgusting that anyone would defend this creep, who was, literally, knowingly, assaulting and threatening CHILDREN,” wrote one commenter.

This time, though, the social media outpouring was decidedly more sympathetic.

“This is definitely authoritarian overreach over WAY and BEYOND!” commented someone on AdvisorHub identified as Noel Drofdel.

“I believe this is a case where some (very likely WOKE) individuals, perceiving Mr. Iannazzo as being ‘a racist bigot,’ simply wants to ruin him,” wrote Drofdel, putting a political spin on the incident.

“This is exactly why FINRA SHOULD NOT be given this type of power to be BOTH the enforcer and the adjudicator,” wrote another anonymous commenter.

‘False testimony’

FINRA did not consider Iannazzo's previous public behavior when considering the scale of the punishment, the regulator states in [filings](#), following its Feb. 6 ruling.

Instead, it attributed its action to Iannazzo's reliance on explanations that were “not credible.” It also cited a “preponderance of evidence” that he intentionally broke currency reporting requirements. See: [Ex-Merrill broker on FINRA hot seat](#).

FINRA insists its decision to suspend Iannazzo – with a further \$13,278.91 due in costs – is solely the result of his failure to properly report and account for 368 cash withdrawals.

“The Panel Majority is ... significantly troubled by Iannazzo’s refusal throughout this proceeding to accept responsibility for his own actions,” FINRA filings state.

“Instead of acknowledging 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,” the regulator notes.

Wristwatch metrics

Iannazzo countered that he limited withdrawals to less than \$10,000 to avoid worrying about being robbed. Avoiding reporting thresholds didn't cross his mind, he said.

Iannazzo claims he was unaware of the reporting requirements, despite attending repeated anti-money-laundering sessions over a 30-year career at Merrill Lynch, and his LCB (Licensed Commercial Bank) allegedly issuing him five pamphlets* on the subject.

The LCB pamphlets explicitly warn against evading reporting through structuring.

“I got into a pattern of nobody having an issue with this, so I continued to do it not knowing the consequence,” Iannazzo testified during FINRA hearings, documents show.

Instead, he claims past issues led to safety concerns, so he followed a “metric” of how much cash he could reasonably carry, based on the \$8,800 and \$9,200 prices he paid for his wristwatches in 2012, filings show.

Heightened concern

In full, FINRA's complaint alleged that Iannazzo knowingly violated FINRA Rule 2010, which requires brokers to “observe high standards of commercial honor and just and equitable principles of trade.”

The regulator also found him guilty of engaging in acts of ‘[structuring](#)’ bank withdrawals by intentionally breaking large transactions into sub-\$10,000 blocks; and of knowingly evading the \$10,000-plus transaction threshold for filing a currency reporting document.

It states that it found Iannazzo guilty of intentionally evading the currency reporting filing requirement – largely by regularly withdrawing sub-\$10,000 sums from two, and later three banks – and that his defense was “not credible,” aggravating his punishment.

“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.



A V38 wristwatch from indie Finnish watchmaker, [Torsti Laine](#). Price: \$9,765.

"It heightens our concern that he may engage in similar misconduct in the future," the regulator concluded.

Slam dunk thwarted?

The panelist's note of dissent may also indicate that FINRA expected to settle before the case even came to a hearing, according to Singer.

"It's unusual to have such a well-crafted and compelling dissent," he says.

"FINRA thought this was a slam dunk settlement... but Iannazzo either refused the settlement terms, likely the suspension length ... or refused to authorize his lawyer to settle as a "matter of principle" that he did nothing wrong.

Iannazzo "opted to roll the dice ... [and for now] we [can't] truly say that his gamble was a loser, because of the extraordinary vehemence of the dissenting panelist's commentary."

Before the fall

At the high point of Iannazzo's career, he managed over \$550 million on behalf of around 300 clients, taking home around \$1.7 million a year, FINRA filings state.

He also managed a junior partner and two to three sales assistants as part of the Iannazzo Group.

Before the smoothie debacle, he successfully climbed the rungs to become a managing director at Merrill Lynch, which he joined after graduating in [1995](#) with a BA in finance from the University of Connecticut.

Iannazzo also lost his certified financial planner (CFP) accreditation, but high-powered local lawyers and PR professionals managed to settle the connected legal charges that followed, in part due to an accelerated rehabilitation program. See: [CFP Board bars Jim Iannazzo](#).

He testified that he used the funds at issue in the FINRA case specifically to pay for the construction and later renovation of a Southport, Conn. Home, which he purchased in 2014, and moved into in 2015.

** FINRA found no evidence of criminal activity, according to its hearing filing.*

** Iannazzo denies that he received five pamphlets, insisting the real number was one, two, or three, FINRA filings show.*

* *The Bank Secrecy Act of 1970 mandates that financial institutions must file currency transaction reports on all cash transactions greater than \$10,000 to detect money laundering.*

* *Iannazzo has the right to appeal until March 24, 2025. Should he fail to do so, his suspension will be in effect between April 7, 2025, and April 6, 2027.*

Dublin-native and Edinburgh-based Oisín Breen has spent seven years writing about finance, including five whirlwind years diving into the advisor world for RIABiz. A widely published and well regarded poet with two full collections under his belt, Breen is also an academic in English Literature with a deep fondness for his Scottish rabbit, Hessell. [@Breen](#)

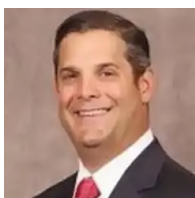
Brooke Southall and Keith Girard contributed to the editing of this article.

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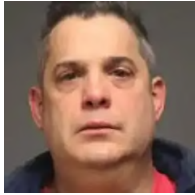
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