

FINRA's NAC Upholds Sanctions Against Broker Charged with Misleading Native American Tribe

FINRA's National Adjudicatory Council, a committee that reviews initial decisions made in FINRA disciplinary proceedings, has upheld a decision involving Gopi Vungarala, a former Purshe Kaplan broker accused of misleading a Native American tribe and engaging in fraudulent non-traded REIT and BDC sales.

Vungarala served as the treasury investment manager for the Saginaw Chippewa Indian Tribe of Michigan and participated in decisions regarding its investments. A FINRA hearing panel previously charged Vungarala with misleading the tribe into purchasing approximately \$190 million in non-traded REIT and BDC investments, which he recommended from at least June 2011 through January 2015. He appealed the decision.

The Saginaw Chippewa tribe prohibits its employees from engaging in business activities that it believes could constitute a conflict of interest. According to the original complaint, Vungarala failed to disclose that he and his firm received sales commissions on the recommended investments, usually 7 percent, or that the tribe was eligible for \$3.3 million in volume discounts.

Specifically, the panel found that Vungarala repeatedly led the tribe to believe that he did not receive any commissions, when in fact, the investments generated \$11.4 million in commissions for the broker-dealer— of which \$9.6 million was paid to him.

In February 2017, FINRA fined Purshe Kaplan \$750,000 for

“supervisory failures” and ordered the broker-dealer to pay nearly \$3.4 million in restitution to the tribe.

The National Adjudicatory Council affirmed the panel’s original decision to bar Vungarala in all capacities for his misconduct, and to disgorge nearly \$9.7 million, plus interest. Vungarala was also ordered to pay hearing costs in the amount of approximately \$16,000, plus appeal costs of \$1,400.

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