

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

PAUL DOUGLAS PARATORE
(CRD No. 2054004),

RESPONDENT.

DISCIPLINARY PROCEEDING
No. 2005002570601

COMPLAINT

The Department of Enforcement alleges:

1. Respondent Paul Douglas Paratore first became registered with NASD as a Limited Representative-Investment Company and Variable Contracts Products through member firms MetLife Securities Inc. and Metropolitan Life Insurance Company (collectively MetLife) in 1991.
2. On September 13, 2005, MetLife filed a Form U5 on Paratore's behalf stating that he had been discharged on August 15, 2005 for admitting "to diverting funds from one customer to apply to the contracts of other, unrelated customers."
3. Paratore subsequently became registered with member firm Preferred Financial Group on December 6, 2005 as a Limited Representative-Investment Company and Variable Contracts Products.
4. Because he is still presently registered with Preferred Financial Group, NASD retains jurisdiction over Paratore.

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FIRST CAUSE OF ACTION
(Conversion of Customer Funds (Rule 2110))

5. The Department realleges and incorporates by reference paragraphs 1-4 above.
6. From in or about April 2002 though in or about June 2005 (“relevant time period”), ADL, a dental laboratory, was one of Paratore’s insurance customers at MetLife.
7. During the relevant time period, ADL gave Paratore monthly premiums that were intended to pay for the insurance policies of the dental laboratory’s employees.
8. Upon receipt of those payments, however, Paratore did not use ADL’s premiums as intended. Instead, Paratore diverted all or portions of those funds to pay, *inter alia*, the premiums and charges for insurance policies and annuities of his other customers who were unrelated to ADL.
9. Specifically, on approximately 26 different occasions during the relevant time period, Paratore diverted approximately \$3,804.24 of ADL’s insurance premiums to approximately 22 of his other customers.
10. Paratore converted the above-referenced ADL premiums without the knowledge, authorization or consent of the dental laboratory.
11. On or about July 26, 2005, after the firm had discovered Paratore’s misconduct and confronted him, Paratore paid MetLife approximately \$3,864.73 to reimburse ADL for its losses.
12. By reason of the foregoing, Paratore violated NASD Conduct Rule 2110.

SECOND CAUSE OF ACTION
(Settling Away (Rule 2110))

13. The Department realleges and incorporates by reference paragraphs 1-12 above.
14. During the relevant time period, at least four of Paratore's customers, AS, EE, DF, and DR, complained to him about their insurance policies and annuities.
15. During the relevant time period, Paratore settled at least those four customer complaints by paying the premiums and charges on their insurance policies and annuities with the funds he converted from ADL as described above.
16. Paratore's settlements were made without the knowledge or approval of MetLife.
17. By reason of the foregoing, Paratore violated NASD Conduct Rule 2110.

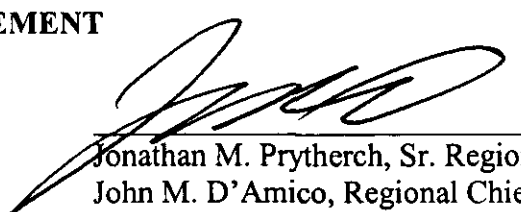
PRAYER

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed; and
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

NASD DEPARTMENT OF ENFORCEMENT

Date: October 10, 2006



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