

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

INVESTMENT PROFESSIONALS, INC.
(BD No. 30184),

Respondent.

DISCIPLINARY PROCEEDING
No. 2007008650302

Hearing Officer—LBB

ORDER ACCEPTING OFFER OF SETTLEMENT

INTRODUCTION

Disciplinary Proceeding No. 2007008650302 was filed on May 18, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Investment Professionals, Inc. submitted an Offer of Settlement (Offer) to Complainant on September 14, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

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the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Investment Professionals, Inc. (CRD 30184) (IPI) is a broker-dealer based in San Antonio, Texas. It has been a member of FINRA (formerly NASD) since 1992. During the time period addressed in this Complaint, the firm had more than 150 branches, the vast majority of which were located in banks or credit unions.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

DF was a customer of IPI from December 1993 until her death in September 1994. At the time of DF's death, her account held two mutual funds and a cash balance. IPI was not notified of her death, and her account remained open and continued to accrue dividends and interest as well as gains from appreciation in the value of mutual funds held in the account. Following the death of the registered representative assigned to the account, the account was reassigned to a registered representative named Kevin Mathis¹ in or about February 2006. By September 2006, the value of the mutual funds and cash balance in the account was more than \$146,000.

In early October 2006, Mathis submitted a change of address request for the DF account, changing the mailing address and street address to the address of the bank branch and IPI branch at which he worked. In late November 2006, Mathis submitted another change of address

¹ Kevin Mathis was employed by IPI from January 2002 until April 2007, working as the sole registered representative at a bank branch location of IPI in San Antonio, Texas. Mathis has been barred from association from any FINRA member firm in connection with his conduct described in this Complaint pursuant to an Order Accepting Offer of Settlement issued on July 3, 2008 (Disciplinary Proceeding No. 2007008650301).

request for the DF account, changing the mailing address to a post office box and leaving the street address as the address of the bank branch and IPI branch at which Mathis worked. In October 2006, Mathis obtained check writing privileges and a debit card for use in connection with DF's account by submitting an application which bore a forged signature for DF.

Between October 31, 2006 and March 15, 2007, Mathis withdrew \$41,000 from DF's account by submitting check requests to IPI and depositing four checks into his own bank account. Between December 14, 2006 and January 26, 2007, \$22,686 was withdrawn from DF's account through use of the debit card Mathis had obtained, in forty-six separate ATM withdrawals. The debit card was also used to charge \$175.75 at gas stations on six occasions during the same time period.

IPI's Written Supervisory Procedures included a list of prohibited acts applicable to registered representatives, designated as Exhibit C to the procedures. Under those procedures, it was a prohibited practice for a registered representative to:

Forward, or agree to forward, confirmations or statements of account other than to the home or business address of the client. Prohibited mailing addresses include but are not limited to the following: (a) post office box; and (b) a registered representative's address; (c) financial institution in which a registered representative is located.

IPI's Written Supervisory Procedures did not set forth any specific procedure for enforcing, or for monitoring for compliance with, these prohibitions. In addition, IPI's Written Supervisory Procedures did not identify any individual or individuals with responsibility for enforcing, monitoring compliance with, or preventing violations of these prohibitions. The procedures also did not specify any steps to be taken to enforce the prohibitions or contain any requirement to memorialize any steps that had been taken.

Address changes were entered into IPI's records by personnel in the Operations Department. IPI did not have any systems or procedures to prevent its operations personnel from changing addresses on customer accounts to post office boxes or registered representative locations, despite the prohibitions described above.

In addition, IPI received change of address reports from its clearing firm. These reports were printed in the Operations Department and provided to the Compliance Department. No one at IPI, including personnel in IPI's Compliance or Operations Departments or the Financial and Operations Principal, checked the change of address reports against a list of registered representative locations in order to prevent changes of address in violation of the prohibitions set forth above.

Based on the foregoing, IPI failed to establish and maintain supervisory systems and failed to establish, maintain and enforce written procedures reasonably designed to achieve compliance with applicable securities laws and regulations, thereby violating NASD Conduct Rules 3010(a) and 3010(b). IPI thereby failed to observe standards of commercial honor and just and equitable principles of trade, in violation of NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be:

- (1) censured;
- (2) fined \$40,000; and

(3) required to comply with its undertaking to amend or supplement its Written Supervisory Procedures within sixty days of the issuance of this Order to adopt additional procedures designed to prevent unauthorized changes of address for customer accounts and to prevent changes of address not in compliance with Respondent's prohibitions, restrictions, procedures, or policies. Such procedures will provide, among other things, that upon receipt of a request for an address change from any customer account, the Compliance or Operations Department will determine, through automated systems or otherwise, whether the new address is the same as an address at which the registered representative assigned to the account resides or works, or is the address of a branch office of any partner financial institution with which Respondent maintains a business relationship, and that a change of address to such a location will occur only after a thorough review and based upon appropriate circumstances, such as where the account is maintained by the registered representative, member(s) of the registered representative's immediate family, or any entity legally controlled by the registered representative or member(s) of the registered representative's immediate family, or where there is a legitimate business reason for the account to be maintained at the branch of a partner financial institution with which Respondent maintains a business relationship. The firm's procedures will specify the identity of the officer(s) at the firm authorized to approve such requests and will require that the firm maintain a written or electronic record reflecting such approvals and the reasons for them. The firm's procedures will also set forth the process by which the Compliance Department will determine whether a customer signature on a change of address request is authentic and how to handle requests where there are questions concerning the authenticity of such signature.

Within sixty days of the issuance of this Order, Respondent's Chief Executive Officer or General Counsel shall certify to FINRA that the procedures which are the subject of the undertakings described above have been implemented, and shall provide a copy of those procedures to the Department of Enforcement.

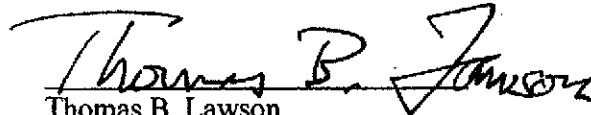
The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

Dated: September 25, 2009

FINRA

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

A handwritten signature in black ink, appearing to read "Thomas B. Lawson", is written over a horizontal line.

Thomas B. Lawson
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