

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

REGINA KAY LOCKE
(CRD No. 2324166),

Respondent.

Disciplinary Proceeding
No. 20070094247

Hearing Officer – AWH

DEFAULT DECISION

July 29, 2008

Respondent is barred from associating with any FINRA member in any capacity for conversion of customer funds, in violation of NASD Rules 2330(a) and 2110, and altering and submitting falsified distribution forms to her member firm, causing the firm to maintain inaccurate books and records, in violation of SEC Rule 17a-3 and NASD Rules 3110 and 2110.

Appearances

Keith A. Alt, Esq., for the Department of Enforcement.

No appearance by or for Regina Kay Locke.

DECISION

I. Background

On March 6, 2008, the Department of Enforcement filed the Complaint in this proceeding, alleging that Respondent Regina Kay Locke converted customer funds, in violation of NASD Rules 2330(a) and 2110, and altered and submitted falsified Individual Retirement Account distribution forms to her member firm, causing the firm to maintain inaccurate books and records, in violation of SEC Rule 17a-3 and NASD Rules 3110 and 2110. Respondent did not file an Answer to the Complaint. On May 30, 2008, Enforcement filed a motion for a default decision. Locke did not respond to that motion.

II. Respondent's Default

Enforcement sent the Complaint and Notice of Complaint to Respondent on March 6, 2008, by certified and first class mail to her residential address listed in the Central Registration Depository (the "CRD address") and to a second address, provided by Respondent during an on-the-record interview, that contained a one-letter spelling variant of the name of her street. The certified mailing receipts were returned to Enforcement, marked "Unclaimed." The first class mailings were not returned. Locke did not file an Answer to the Complaint.

On April 7, 2008, Enforcement sent the Complaint and Second Notice of Complaint by certified and first class mail to Locke at her CRD address and the address with the alternate spelling. She did not file an Answer to the Complaint.

Enforcement served the Complaint and Notices of Complaint on Locke in accordance with Rule 9134, giving her constructive notice of this proceeding. By failing to respond, she defaulted. Pursuant to NASD Procedural Rules 9215(f) and 9269, Enforcement's motion for a default decision will be granted, and the allegations in the Complaint, which is attached to this decision, will be deemed admitted.¹

III. Jurisdiction

Locke was registered as a General Securities Representative through FINRA member RBC Dain Rauscher Inc. ("Dain") from November 20, 2000, to April 30, 2007, when Dain terminated her association with the firm because of her violation of company policy regarding alteration of client documents and failure to disclose pertinent information regarding a customer complaint. She is not currently associated with a

¹ The factual determinations in this decision are based on the admitted allegations in the Complaint, the Declaration in Support of Motion for Entry of Default Decision, and the exhibits attached thereto.

member firm. Because the Complaint charges her with misconduct while she was associated with a member firm, and the Complaint was filed within two years of the termination of her association with the firm, she remains subject to FINRA jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of the FINRA By-Laws.

IV. Violations

The first cause of the Complaint alleges that in December 2002, customer BT opened an Individual Retirement Account ("IRA") at Dain to roll over his retirement account held with his employer. BT, Locke's step-father, signed IRA Distribution Request forms to authorize systematic, monthly distributions from the IRA account beginning in March 2003 and continuing until February 1, 2006. However, during the period of September 2004 to February 2006, without the approval or authorization of BT, Locke caused 33 other distributions to be made on a one-time basis, payable either to her or to a third-party for Locke's benefit. The admitted facts demonstrate that she converted \$40,000 of BT's funds, thereby violating NASD Rule 2330(a), which prohibits an associated person from making improper use of a customer's funds, and NASD Rule 2110, which requires that members and associated persons observe high standards of commercial honor and just and equitable principles of trade.

The second and third causes of the Complaint allege that Locke altered, falsified, and submitted to Dain original IRA Distribution Request forms for BT's account. The submission of those form resulted in the distribution of funds from that account to Locke or to a third-party for Locke's benefit. By altering and falsifying those forms, Locke violated NASD Conduct Rule 2110.

The fourth cause of the Complaint alleges that by submitting the altered and falsified IRA Distribution Request forms to Dain, Locke caused Dain's books and records to be inaccurate. The admitted facts demonstrate that, by so doing, Locke caused her firm to violate SEC Rule 17a-3 and NASD Rules 3110 and 2110, which require the maintenance of accurate books and records.

V. Sanctions

Locke's misconduct was fraudulent and intentional. By obtaining customer funds to which she was not entitled and expending them for her personal benefit, she converted those funds. Her alteration and falsification of forms facilitated her misconduct and aggravated it because she caused her firm to maintain inaccurate books and records. The Sanction Guideline for conversion is a bar, regardless of the amount converted. *Sanction Guidelines*, at 38. Under the circumstances, her alteration, falsification, and submission of the IRA Distribution forms to her firm warrant a bar as well.

VI. Conclusion

Regina Kay Locke is barred from associating with any FINRA member firm in any capacity for conversion of customer funds, in violation of NASD Rule 2110, and for altering, falsifying, and submitting to her firm IRA Distribution forms in order to convert customer funds, in violation of SEC Rule 17a-3 and NASD Rules 3110 and 2110. The bars will become effective immediately if this decision becomes FINRA's final disciplinary action.

SO ORDERED.


Alan W. Heitatz
Hearing Officer

Copies to:

Regina Kay Locke *(via first class mail & overnight Courier)*

Keith A. Alt, Esq. *(via first class & electronic mail)*

Mark P. Dauer, Esq. *(via first class & electronic mail)*

David R. Sonnenberg, Esq. *(via first class & electronic mail)*

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**REGINA KAY LOCKE
(CRD No. 2324166),**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 20070094247**

COMPLAINT

The Department of Enforcement ("Enforcement") alleges:

RESPONDENT AND JURISDICTION

1. Regina Kay Locke ("Locke" or the "Respondent") became associated with FINRA member RBC Dain Rauscher Inc. ("RBC Dain" or the "Firm") as a registered client associate in the Firm's Houston, Texas branch office on or about November 20, 2000. Locke was associated with RBC Dain until the Firm terminated her employment on April 16, 2007.

2. On or about April 30, 2007, the Firm filed a Form U5, which reported that Locke's employment had been terminated because of her "violation of company policy regarding alteration of client documents and failure to disclose pertinent information to company regarding customer complaint."

3. Locke has not been associated with any member in any capacity since the Firm terminated her employment, but Locke remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

4. Between September 2004 and February 2006, Locke wrongfully converted funds from the account of a customer of her member employer by altering and submitting, or causing the submission of, IRA distribution documents to her member employer, ultimately resulting in the distribution of customer funds for Locke's personal use and benefit.

BACKGROUND

5. On or about December 13, 2002, customer BT opened an Individual Retirement Account at the Firm (the "IRA Account").

6. BT, a plant worker at a chemical company for approximately 30 years, was retiring to take care of his ailing wife. At the advice of Locke, his stepdaughter, BT opened his IRA Account at the Firm to roll over his retirement account held with his employer.

7. BT's new account documents (the "NADs"), dated December 27, 2002, identified him as a 56-year-old retiree with annual income of under \$50,000 and investment objectives of "preservation of principal" and "income." BT's NADs listed his liquid assets and his net worth (excluding residence) as "under \$100,000" and "\$100,000 - 249,999," respectively.

8. In March 2003, BT submitted an IRA Distribution Request form, dated March 12, 2003 (his "Initial IRA Distribution Request"), in which he authorized the Firm to begin monthly distributions to him from his IRA Account. BT requested \$1,300 per month with 10% withheld for federal taxes.

9. BT's monthly distributions of \$1,170 (which reflects the requested amount after federal withholding) commenced on March 19, 2003 and continued until March 1, 2005.

10. In March 2005, BT submitted an IRA Distribution Request form, dated March 10, 2005 (his "Amended IRA Distribution Request"), amending his Initial IRA Distribution Request and instructing the Firm to begin withholding an additional 10% for state taxes.

11. BT's monthly distributions of \$1,040 (which reflects the requested amount after federal and state withholding) commenced on April 1, 2005 and continued until February 1, 2006.

12. BT signed the Initial IRA Distribution Request and the Amended IRA Distribution Request forms that authorized the foregoing systematic, monthly distributions (the "Systematic Distributions").

13. The Systematic Distributions were the only distributions that BT authorized to be made from his IRA Account.

14. During the period of September 2004 through February 2006 (the "Relevant Period"), 33 other distributions were made from BT's IRA Account on an individual, one-time basis (the "Individual Distributions").

15. Each of the Individual Distributions was not authorized or approved by BT.

16. Each of the Individual Distributions was payable either to Locke or to a third party (a "Third-Party Payee") for Locke's benefit.

17. The Individual Distributions were distributed from BT's IRA Account through the submission of IRA Distribution Request forms and Addenda to the Firm.

18. Locke altered and falsified each of the submitted IRA Distribution Request forms and Addenda, resulting in the Individual Distributions.

19. Locke submitted, or caused the submission of, the altered and falsified IRA Distribution Request forms and Addenda to the Firm. As a result of these submissions, Locke received distributions, either payable to Locke or to Third-Party Payees for Locke's benefit, from BT's IRA Account.

20. Based on the foregoing, Locke wrongfully converted approximately \$40,000 from BT's IRA Account during the Relevant Period.

**FIRST CAUSE OF ACTION
WRONGFUL CONVERSION OF CUSTOMER FUNDS
(NASD Rules 2330(a) and 2110)**

21. Enforcement realleges and incorporates by reference paragraphs 1 through 20 above.

22. NASD Rule 2330(a) provides, in relevant part, that "[n]o member or person associated with a member shall make improper use of a customer's securities or funds."

23. NASD Rule 2110 requires a member and persons associated with a member to "observe high standards of commercial honor and just and equitable principles of trade." Conversion of customer funds is conduct that violates the "high standards of commercial honor" to which registered individuals are held and inconsistent with "just and equitable principles of trade."

24. From September 2004 through February 2006, Locke wrongfully converted approximately \$40,000 from BT's IRA Account.

25. By virtue of the above, Locke committed separate and distinct violations of NASD Rules 2330(a) and 2110.

SECOND CAUSE OF ACTION
ALTERING IRA DISTRIBUTION REQUEST FORMS OR ADDENDA
(NASD Rule 2110)

26. Enforcement realleges and incorporates by reference paragraphs 1 through 25 above.

27. NASD Rule 2110 requires a member and persons associated with a member to "observe high standards of commercial honor and just and equitable principles of trade." Altering and falsifying records of a member employer is conduct that violates the "high standards of commercial honor" to which registered individuals are held and inconsistent with "just and equitable principles of trade."

28. On one or more occasions, Locke altered and falsified original IRA Distribution Request forms and Addenda for the account of a customer of her member employer.

29. By virtue of the above, Locke violated NASD Rule 2110.

THIRD CAUSE OF ACTION
SUBMITTING, OR CAUSING THE SUBMISSION OF, ALTERED AND FALSIFIED IRA
DISTRIBUTION REQUEST FORMS OR ADDENDA TO HER MEMBER EMPLOYER
(NASD Rule 2110)

30. Enforcement realleges and incorporates by reference paragraphs 1 through 29 above.

31. NASD Rule 2110 requires a member and persons associated with a member to "observe high standards of commercial honor and just and equitable principles of trade." Submitting altered and falsified records to a member employer is conduct that violates the "high standards of commercial honor" to which registered individuals are held and inconsistent with "just and equitable principles of trade."

32. On one or more occasions, Locke submitted, or caused the submission of, altered and falsified IRA Distribution Request forms and Addenda to her member employer as original requests for distributions.

33. Submission of the IRA Distribution Request forms and Addenda resulted in the distribution of funds from a customer account payable to Locke or to a third party for Locke's benefit.

34. By virtue of the above, Locke violated NASD Rule 2110.

FOURTH CAUSE OF ACTION

CAUSING HER MEMBER EMPLOYER TO MAINTAIN INACCURATE BOOKS AND RECORDS IN VIOLATION OF SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 17A-3 (NASD Rules 3110 and 2110)

35. Enforcement realleges and incorporates by reference paragraphs 1 through 34 above.

36. Section 17 of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder ("SEC Rule 17a-3") provide, among other things, that every firm maintain copies of notices of all other debits and credits for securities, cash and other items for the account of customers.

37. NASD Rule 3110 requires members to maintain books and records in conformity with SEC Rule 17a-3, and NASD Rule 0115 provides that the NASD Rules apply to all members and associated persons and that persons associated with a member shall have the same duties and obligations as a member under the NASD Rules.

38. NASD Rule 2110 requires a member and persons associated with a member to "observe high standards of commercial honor and just and equitable principles of trade." Causing her member employer to maintain inaccurate books and records in violation of SEC

Rule 17a-3 is conduct that violates the high standards of commercial honor to which registered individuals are held and inconsistent with just and equitable principles of trade.

39. On one or more occasions, Locke caused her member employer's books and records to be inaccurate in violation of SEC Rule 17a-3 and NASD Rules 3110 and 2110 by submitting, or causing the submission of, altered and falsified IRA Distribution Request forms and Addenda to her member employer.

40. By virtue of the above, Locke committed separate and distinct violations of NASD Rules 3110 and 2110.

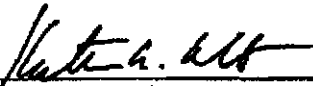
RELIEF REQUESTED

WHEREFORE, Enforcement 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.
- 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.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 3/6/08


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DISCIPLINARY PROCEEDING NO. 20070094247
DEPARTMENT OF ENFORCEMENT V. REGINA KAY LOCKE

SCHEDULE A

Unauthorized Distributions from BT's IRA Account						
Per Account Statements:		Per Distribution Request and Addendum for the Individual Distributions:				
Date Processed	Amount Paid	Date Requested	Amount Requested	Federal Withholding	State Withholding	Name of Third-Party Payee
10/06/04	\$ 540.00	10/01/04	\$ 600.00	10%	—	Regina Locke
10/28/04	\$ 900.00	09/23/04	\$ 900.00	—	—	RDM
10/28/04	\$ 900.00	10/13/04	\$ 900.00	—	—	RDM
10/29/04	\$ 1,170.00	10/23/04	\$ 1,300.00	10%	—	Regina Locke
11/18/04	\$ 1,105.00	11/03/04	\$ 1,300.00	15%	—	Regina Locke
12/06/04	\$ 900.00	11/26/04	\$ 1,000.00	10%	—	RDM
01/11/05 ¹	\$ 900.00	12/21/04	\$ 1,000.00	10%	—	RDM
01/18/05	\$ 900.00	01/13/05	\$ 1,000.00	10%	—	RDM
02/16/05	\$ 1,350.00	02/14/05	\$ 1,500.00	10%	—	Regina Locke
03/02/05	\$ 1,620.00	02/26/05	\$ 1,800.00	10%	—	Regina Locke
03/17/05	\$ 2,700.00	03/14/05	\$ 3,000.00	10%	—	Regina Locke
03/23/05	\$ 2,000.00	03/21/05	\$ 2,500.00	10%	10%	Regina Locke
04/06/05	\$ 1,000.00 ²	04/01/05	\$ 1,000.00	10%	10%	Regina Locke
04/25/05	\$ 3,500.00	04/20/05	\$ 3,500.00	—	—	PTP
04/28/05	\$ 900.00	04/23/05	\$ 1,000.00	10%	—	RDM
05/04/05	\$ 600.00 ²	04/28/05	\$ 600.00	10%	—	Regina Locke
05/13/05	\$ 480.00	05/09/05	\$ 600.00	10%	10%	Regina Locke
06/10/05	\$ 500.00	06/06/05	\$ 500.00	\$ 100.00	—	Regina Locke
06/30/05	\$ 920.00	06/28/05	\$ 1,150.00	\$ 115.00	\$ 115.00	RDM
07/01/05	\$ 1,500.00	06/28/05	\$ 1,500.00	—	—	REL
07/11/05	\$ 997.20	05/17/05	\$ 1,208.00	10%	\$ 90.00	RDM
07/26/05	\$ 1,040.00	07/23/05	\$ 1,300.00	10%	10%	Regina Locke
08/02/05	\$ 500.00	07/28/05	\$ 500.00	—	—	Regina Locke
08/05/05	\$ 700.00	08/03/05	\$ 700.00	—	—	Regina Locke
08/23/05	\$ 500.00	08/21/05	\$ 700.00	\$ 100.00	\$ 100.00	Regina Locke
09/02/05	\$ 800.00	08/12/05	\$ 1,000.00	\$ 100.00	\$ 100.00	Regina Locke
09/06/05	\$ 1,300.00 ²	09/02/05	\$ 1,300.00	10%	10%	Regina Locke
09/30/05	\$ 600.00 ²	09/28/05	\$ 600.00	10%	—	Regina Locke
10/07/05	\$ 1,450.00	09/26/05	\$ 1,550.00	—	\$ 100.00	SG
11/08/05	\$ 1,385.00	11/01/05	\$ 1,650.00	10%	\$ 100.00	SG
12/01/05	\$ 1,450.00	11/25/05	\$ 1,450.00	—	—	SG
01/06/06	\$ 1,480.00	12/30/05	\$ 1,850.00	10%	10%	Regina Locke
02/08/06	\$ 1,300.00	02/03/06	\$ 1,300.00	—	—	Regina Locke
Total:	\$ 37,887.20	Total:	\$ 41,758.00			

¹ The check was processed in December 2004 and cancelled and reprocessed in January 2005 (the "Cancelled Check").
² The Firm made distribution without withholding funds for taxes—therefore, Amount Paid equals Amount Requested.