

Financial Industry Regulatory Authority (FINRA)

Office of Hearing Officers

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REGISTRATION & DISCLOSURE

Department of Enforcement,

Complainant,

v.

Steven Craig Keifner
(CRD No. 2103759)

Respondent.

DISCIPLINARY PROCEEDING
No. 2007009444701

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between February through May 2006, Steven Craig Keifner ("Keifner"), a registered representative with A.G. Edwards & Sons, Inc. (the "Firm"), serviced the personal account of RAS, then a 68 year-old retired construction supervisor who had no prior options investment experience. Keifner executed approximately 83 unauthorized options transactions in RAS's non-discretionary account during March through May 2006 (the "relevant period"). These transactions also were unsuitable given RAS's conservative investment objectives, financial needs and inability to evaluate and assume the financial risks involved in the trading. By virtue of these actions, Keifner violated NASD Rules 2860(b)(19)(A), 2860(b)(19)(B), IM-2310-2, and 2110.

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2. Keifner was responsible for the accuracy of the information that was reflected on RAS's new account documentation. However, the document failed to accurately record RAS's investment objectives, prior investment experience and financial information. As a result, Keifner caused the Firm's books and records to contain false and misleading information in violation of NASD Rules 3110 and 2110 and Securities Exchange Act Rules 17a-3 and 17a-4.

3. During the course of its investigation, Enforcement issued several requests to Keifner, pursuant to NASD Rule 8210, that requesting that he provide information and also appear for an on-the-record interview ("OTR"). Although Keifner initially provided some of the information requested, he failed to provide other information and also failed to appear for testimony. As a result, Keifner violated NASD Rules 8210 and 2110.

RESPONDENT

4. Keifner (CRD No. 2103759) first became associated with a FINRA member firm in 1990. Between September 2000 until his registration was terminated on or about March 27, 2007, Keifner was registered as a Series 6,7 and 63 with the Firm. Following his termination from the Firm, Keifner was registered with another member firm from May 3, 2007 until his registration was terminated on November 19, 2007. Keifner has not been associated with a member firm since November 19, 2007. However, FINRA retains jurisdiction over Keifner pursuant to Article V, Section 4 (a) of the By-Laws, since the conduct which serves as the basis for this action commenced prior to his termination of registration from a member firm and this complaint has been filed within two years after the effective date of his last termination of registration from a member firm.

FACTS COMMON TO ALL COUNTS

5. In February 2006, after another registered representative left the Firm, Keifner became the broker of record for RAS, a 68 year-old retired construction company superintendent, who had a ninth-grade education. RAS and his wife existed on a pension and combined social security of \$2,300 and \$2,016, respectively, per month. In addition to his IRA and personal account at the Firm, RAS' only other assets were approximately \$44,000 in a checking and savings account. RAS's investment objective was growth with low risk.

6. When Keifner became broker of record for RAS's personal account in February 2006, the account's value was approximately \$146,476. At that time, 91% of the account was invested in the following equities: Apple Computer Inc., Caterpillar Inc., Chevron Corporation, Citigroup Inc., ConcoPhillips Co., Fedex Corporation, Goldman Sachs Group Inc., Lowes Companies Inc., Pacific Cap Bancorp, Pepsico Incorporated, Proctor & Gamble Company, Qualcomm Inc., and Intuitive Surgical Inc. RAS's account was a non-discretionary account and at no time did he provide Keifner with the authority to make discretionary trades in his account.

7. Although RAS had invested previously in equities, he had no experience in options trading. At Keifner's request, RAS executed an option agreement for his personal account during March 2006. Subsequently, RAS's personal account was approved for buying puts and calls.

8. After RAS executed the options agreement, Keifner sold some of RAS's holdings and used the proceeds to effect 32 put and call option transactions (24 purchases and 8 sales) during March 2006. At month end, the options positions accounted for approximately 30% of the account's value while the equities and money market funds represented approximately 58% and 12% of its value, respectively.

9. During April 2006, Keifner effected 28 put and call option transactions (14 purchases and 14 sales). At month-end, RAS's account consisted of approximately 55% options, 32% equities and 13% money market funds.

10. During May 2006, Keifner effected 23 put and call option transactions (17 purchases and 6 sales). By the end of May 2006, RAS's account consisted of approximately 58% options, 38% equities and 4% money market funds.

11. Between March through the end of May 2006, Keifner executed 83 call option transactions in RAS's account without first obtaining RAS's authorization to make each transaction. During that time, RAS's account's total value decreased from \$148,577 to \$122,245, a loss of \$24,332.

FIRST CAUSE OF ACTION

Unauthorized Trading

(Violations of IM 2310-2 and NASD Rule 2110)

12. Enforcement realleges and incorporates by reference paragraphs 1 through 11 above.

13. RAS never gave Keifner written or verbal discretionary authority to trade in his account. Therefore, Keifner was required to contact and obtain RAS's authorization to effect each transaction prior to order entry. During the relevant period, Keifner effected approximately 83 options transactions in RAS's account. RAS never authorized any of these transactions prior to order entry by Keifner.

14. By virtue of the foregoing, Keifner violated IM 2310-2 and NASD Rule 2110.

SECOND CAUSE OF ACTION

Unsuitable Options Trading

(Violations of NASD Rules 2860(b)19 (A), 2860(b)19 (B) and 2110)

15. Enforcement realleges and incorporates by reference paragraphs 1 through 14 above.

16. At the time that Keifner recommended that RAS buy and sell the options transactions, he did not have reasonable grounds to believe that the recommendations were suitable for RAS based upon RAS's investment objectives, financial situation and needs, and other information known to Keifner.

17. In addition, at the time that Keifner recommended that RAS buy and sell the options transactions, he did not have a reasonable belief that RAS had such knowledge and experience in financial matters that he could reasonably be expected to be capable of evaluating the risks of the recommended transactions, and was financially able to bear the risks of the recommended positions in the options contracts.

18. By virtue of the foregoing, Keifner violated NASD Rules 2860(b)19(A), 2860(b)(19)(B) and 2110.

THIRD CAUSE OF ACTION

Inaccurate Books and Records

**(Violations of NASD Rules 3110 and 2110 and
Securities Exchange Act Rules 17a-3 and 17a-4)**

19. Enforcement realleges and incorporates by reference paragraphs 1 through 18 above.

20. Keifner was responsible for the accuracy of the information reflected on RAS's new account document for his personal account. On March 2, 2006, Keifner updated RAS's new account document by indicating that RAS's net worth was \$400,000; his investment objectives (in order of priority) were conservative appreciation and ag-

gressive income; he had 11 years investment experience in stocks and bonds, six years in certificates of deposit, and 11 years in mutual funds. RAS never gave Keifner this information and it was false and inaccurate.

21. By virtue of the foregoing, Keifner violated NASD Rules 3110 and 2110 and Securities Exchange Act Rules 17a-3 and 17a-4.

FOURTH CAUSE OF ACTION

Failure to Cooperate

(Violations of NASD Rules 8210 and 2110)

22. On July 7, 2008, during the course of its investigation, Enforcement sent Keifner a letter, pursuant to NASD Rule 8210, requesting that he provide information. The letter was sent by certified and first class mail to Keifner's CRD address. The return receipt for the certified letter was signed by Keifner. The letter sent via first class mail was not returned to Enforcement.

23. Keifner failed to respond to the requests in the July 7, 2008 letter.

24. On August 11, 2008, Enforcement sent Keifner a second letter, pursuant to NASD Rule 8210, requesting that he provide information. The letter was sent by certified and first class mail to Keifner's CRD address. The return receipt for the certified letter was signed by Bonita Bosworth, whom Keifner identified as his girlfriend. The letter sent via first class mail was not returned to Enforcement.

25. Keifner failed to respond to the requests in the August 11, 2008 letter.

26. On September 5, 2008, Enforcement sent Keifner a letter at his CRD address, pursuant to NASD Rule 8210, requesting that Keifner appear and provide testimony at 14 Wall Street, in New York City on September 30, 2008. The return receipt for

this certified letter was signed by Keifner. The letter sent via first class mail was not returned to Enforcement.

27. Keifner failed to appear and provide testimony as required.

28. By virtue of the above, Keifner violated NASD Rules 8210 and 2110 by failing to provide the information requested by Enforcement and by failing to appear and testify at his scheduled OTR.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA 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 FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 4/14/09


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