

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

DEPARTMENT OF ENFORCEMENT,	)	Disciplinary Proceeding
	)	~~No. 2008016455801~~
Complainant,	)	
	)	
	)	Hearing Officer:
v.	)	
	)	COMPLAINT
~~LEO T. BUGGY,~~	)	
~~CRD No. 1064916,~~	)	
Respondent.	)	

The Department of Enforcement alleges:

SUMMARY

1. FINRA staff commenced an investigation of Respondent Leo T. Buggy (Buggy) after receiving notification that Buggy was terminated from AXA Advisors, LLC (the Firm) for, among other things, misappropriation of client funds. Buggy failed to provide information and documents to FINRA staff investigating these allegations. Notwithstanding the absence of information from Buggy, the investigative record establishes that he misused customer funds totaling in excess of \$589,000.00, in violation of NASD Conduct Rules 2330(a) and 2110. Buggy's refusal to respond to written Rule 8210 requests for information and documents interfered with FINRA's investigation and prevented staff from determining whether Buggy violated additional securities laws, rules and/or regulations. Buggy's failure to respond to written Rule 8210 requests constituted violations of FINRA Rule 8210 and FINRA Conduct Rule 2010.

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RESPONDENT AND JURISDICTION

2. Respondent Leo T. Buggy was associated with the Firm from June 1, 1982 through January 23, 2009, where he was registered as a general securities principal, a general securities representative, and an investment company products and variable contracts representative.

3. From June 1, 1982 through January 5, 2000, Buggy was also associated with The Equitable Life Assurance Society of the United States (Equitable Life), where he was registered in that same capacity. Equitable Life is now known as "AXA Equitable Life Insurance Company." Both the Firm and AXA Equitable Life Insurance Company are subsidiaries of AXA Financial, Inc. AXA Equitable Life Insurance Company will be referred to herein as the Affiliate.

4. Buggy has not been associated with a FINRA member since the termination of his association with the Firm. Pursuant to Article V, § 4 of FINRA's By-Laws, FINRA has jurisdiction to issue this Complaint against Buggy through January 22, 2011. The misconduct that is the subject of the first cause of action of the Complaint occurred while Buggy was associated with the Firm. With respect to the second cause of action, the Rule 8210 violations alleged therein occurred within two years of Buggy's last association with a member firm.

5. On or about July 17, 2009, the United States Attorney's Office commenced criminal proceedings against Buggy in the United States District Court for the District of Wyoming, Case No. 09-CR-0190, for engaging in misconduct related to that asserted in this proceeding (misuse of customer funds). In summary, Buggy was charged with mail fraud, wire fraud and engaging in money laundering, all class C felonies. Buggy entered a plea of "guilty" to these charges in July 2009 and was sentenced in October 2009. Buggy's sentence included a

46 month prison term, 36 months of supervised probation following his release from prison, and an order to pay the Firm in excess of \$1,000,000.00 in restitution. Having pled guilty to and been convicted of three felonies, Buggy is subject to a statutory disqualification. *See* FINRA By-Laws, Article III, Section 4; Exchange Act, Section 3(a)(39)(F).

FIRST CAUSE OF ACTION

(Misuse of Customer Funds – NASD Conduct Rules 2330(a) and 2110)

6. The Department realleges and incorporates by reference paragraph numbers 1-5 above.
7. FINRA staff commenced an investigation upon notification by the Firm of its receipt of a complaint from customer RR claiming that Buggy had misappropriated funds intended for investment in the amount of approximately \$150,000.00. The Firm later notified FINRA staff of additional instances of suspected misappropriation, which the staff also investigated. Based upon that investigation, the staff concluded that Buggy misused customer funds, as alleged below.
8. During 2007 and 2008, Buggy solicited Firm customers R.R., J.W., L.N., and A.N. and E.N. (collectively, the Customers) to withdraw funds from their existing Firm variable annuity and/or brokerage accounts and invest the withdrawn amounts in what Buggy represented to be safer, higher yield investments with the Affiliate.
9. The Customers were familiar with the business of the Affiliate and had established relationships with Buggy as their financial advisor. As such, trusting Buggy's representations, the Customers agreed to the purported investment recommendations. Following Buggy's instructions, they withdrew funds from their Firm accounts, deposited the withdrawals into their respective personal bank accounts, and then either (i) provided Buggy with checks made payable to the Affiliate that were subsequently deposited into an account at a bank (RMB)

in Rock Springs, Wyoming (the RMB Account), or (ii) wired funds into the RMB Account.

Paperwork for the wire transfers identifies the wire beneficiary as being the Affiliate.

10. At all relevant times, the Customers intended and believed that the funds withdrawn from their respective Firm accounts were invested in safer, higher yield investments with the Affiliate, as Buggy represented. In total, these customers provided Buggy over \$589,000.00 for this purpose. Schedule A, attached hereto and incorporated herein by this reference, sets forth the amounts provided to Buggy for investment and the dates upon which those funds were transferred from the Customers' accounts with the Firm and ultimately deposited into the RMB Account.

11. Buggy not only failed to invest the funds received from the Customers in safer, higher yield products with the Affiliate, he failed to invest the funds at all. Instead, he caused the funds to be deposited to the RMB Account, an account that he controlled. By failing to invest the Customers' funds as he represented and they intended, and by causing the funds to come under his control, Buggy made improper use of the funds.

12. The foregoing acts, practices and conduct constitute separate and distinct violation of NASD Conduct Rules 2330(a) and 2110 by Buggy.

SECOND CAUSE OF ACTION

**(Failure to Respond to Rule 8210 Requests for Information and Documents
– FINRA Rule 8210 and FINRA Conduct Rule 2010)**

13. The Department realleges and incorporates by reference paragraph numbers 1-12 above.

14. As referenced above, FINRA staff commenced an investigation of Buggy after receiving a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing his termination by the Firm for, *inter alia*, misappropriation of customer funds.

15. To further its investigation, staff sought to obtain information and documents regarding these allegations from Buggy by means of written Rule 8210 requests. As alleged in greater detail below, staff sent a total of three written Rule 8210 requests to Buggy at his residential address as recorded in the Central Registration Depository (CRD), [REDACTED] (CRD Address), by first class and certified mail. Buggy failed to provide the requested information and documents.

16. FINRA staff sent Buggy the first Rule 8210 request on April 16, 2009. The request was sent by first class and certified mail to the CRD Address and directed Buggy to provide the requested information and documents by April 30, 2009.

17. The certified letter was delivered on April 18, 2009; the signature on the certified mail confirmation receipt is illegible. The first class mailing was not returned to FINRA. Buggy did not provide the information and documents requested in the April 16th request.

18. On May 7, 2009, staff sent a second Rule 8210 request to Buggy by certified and first class mail to the CRD Address. The May 7th request sought the same information and documents set forth in the April 16th request and directed Buggy to respond by May 21, 2009.

19. The delivery receipt for the May 7th certified mailing was returned to FINRA staff on May 26, 2009 with an illegible signature and "Leo T. Buggy" listed on the line designated "Received by (Printed Name)." The first class mailing was not returned to FINRA. Buggy failed to provide the requested information and documents.

20. On July 7, 2009, staff sent Buggy a third Rule 8210 request seeking the same information and documents identified in the prior two requests. The July 7th request was sent to the CRD Address by first class and certified mail and directed Buggy to respond by July 17, 2009.

21. The July 7th certified mailing was returned to FINRA on August 7, 2009 stamped "return to sender – unclaimed – unable to forward;" the first class mailing was not returned to staff. Buggy did not respond to the July 7th Rule 8210 request.

22. After the July 7th certified mailing was returned, FINRA staff conducted a LEXIS/NEXIS search to determine whether Buggy had a possible alternative address. The search did not reveal any other address for him.

23. To date, Buggy has failed to provide information and documents that was requested, pursuant to Rule 8210, on April 16, 2009, May 7, 2009, and July 7, 2009. Buggy's failure to provide the requested information and documents impeded staff's investigation and effectively prevented staff from determining whether he violated any additional securities laws, rules and/or regulations.

24. The three Rule 8210 requests were sent during the period that Buggy was subject to FINRA's jurisdiction; therefore, he was required by Rule 8210 to provide the requested information and documents.

25. Buggy's failure to provide the information and documents requested in the April 16, 2009, May 7, 2009, and July 7, 2009 requests constitutes separate and distinct violations of FINRA Rule 8210 and FINRA Conduct Rule 2010.

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; and

B. Order that Respondent Buggy bear such costs of proceedings as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

Dated: May 4, 2010

FINRA DEPARTMENT OF
ENFORCEMENT

A handwritten signature in black ink, appearing to read 'Heather Hawker', is written over a horizontal line.

Heather Hawker
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SCHEDULE A

Approx. date & amount of funds withdrawn from R.R.'s Firm account	Date of check/wire sent from R.R.'s bank account to the RMB Account	Amount of funds sent from R.R.'s bank account to the RMB Account
8/15/07 - \$35,000.00	8/17/07 - posted 8/21/07 - Check #4258	\$34,990.00
8/29/07 - \$14,010.00	9/17/07 - posted 9/18/07 - #Check 4288	\$14,000.00
9/6/07 - \$10,010.00	No date on check - Posted 9/21/07 - #Check 4290	\$10,000.00
10/3/07 - \$15,050.00	10/9/07 - Wire	\$15,000.00
11/2/07 - \$15,050.00	11/6/07 - Wire	\$15,000.00
1/30/08 - \$10,050.00	2/1/08 - Wire	\$10,000.00
Total - \$99,170.00		Total - \$98,990.00
Approx. date & amount of funds withdrawn from J.W.'s Firm accounts	Date of wire sent from J.W.'s bank account to the RMB Account	Amount of funds sent from J.W.'s bank account to the RMB Account
3/6/08 - \$6,000.00	3/11/08	\$6,000.00
3/10/08 - \$34,000.00	3/11/08	\$34,000.00
4/1/08 - \$50,000.00	4/7/07	\$50,000.00
5/2/08 - \$50,000.00	5/7/08	\$50,000.00
5/22/08 - \$50,000.00	5/30/08	\$50,000.00
6/1/08 - \$18,500.00	6/6/08	\$18,500.00
7/8/09 - \$50,000.00	7/11/08	\$52,000.00
8/6/08 - \$50,000.00	8/11/08	\$40,000.00
9/7/08 - \$20,000.00	9/23/08	\$16,000.00
9/7/08 - \$20,000.00	9/29/08	\$16,000.00
10/29/08 - \$17,500.00	10/31/08	\$14,000.00
Total - \$366,000.00		Total - \$346,500.00
Approx. date & amount of funds withdrawn from L.N.'s Firm account	Date of wire sent from L.N.'s bank account to the RMB Account	Amount of funds sent from L.N.'s bank account to the RMB Account
11/8/07 - \$61,681.55	11/13/07	\$61,681.55.00
1/4/08 - \$10,050.00	1/9/08	\$10,000.00
2/20/08 - \$12,000.00	2/22/08	\$12,000.00
Total - \$83,731.55.00		Total - \$83,681.55

Approx. date & amount of funds withdrawn from A.N.'s and E.N.'s Firm account	Date of wire sent from A.N.'s and E.N.'s bank account to the RMB Account	Amount of funds sent from A.N.'s and E.N.'s bank account to the RMB Account
11/12/08 - \$40,020.00	11/12/08	\$40,000.00
11/21/08 - \$20,050.00	11/24/08	\$20,000.00
Total - \$60,070.00		Total - \$60,000.00