

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

DEPARTMENT OF ENFORCEMENT,	)	Disciplinary Proceeding
	)	No. 200801645580101
Complainant,	)	
	)	Hearing Officer - SNB
v.	)	
	)	
LEO T. BUGGY	)	ORDER ACCEPTING OFFER
CRD No. 1064916,	)	OF SETTLEMENT
	)	
Respondent.	)	Date: June 25, 2010
	)	

INTRODUCTION

Disciplinary Proceeding No. 2008016455801 was filed on May 4, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Leo T. Buggy submitted an Offer of Settlement (Offer) to Complainant on June 23, 2010. 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 the sanctions set forth below, and fully understands that this Order will become part of

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Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent was associated with AXA Advisors, LLC (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. From June 1, 1982 through January 5, 2000, Respondent 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.

Respondent 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 retains jurisdiction to issue a complaint against Respondent through January 22, 2011. As noted above, the Complaint was issued on May 4, 2010. The misconduct that is the subject of the First Cause of Action of the Complaint occurred while Respondent was associated with the Firm. With respect to the Second Cause of Action, the Rule 8210 violations alleged therein occurred within two years of Respondent's last association with a member firm.

On or about July 17, 2009, the United States Attorney's Office commenced criminal proceedings against Respondent 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, Respondent was charged with mail fraud, wire fraud

and engaging in money laundering, all class C felonies. Respondent entered a plea of "guilty" to these charges in July 2009 and was sentenced in October 2009. Respondent'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, Respondent is subject to a statutory disqualification. See FINRA By-Laws, Article III, Section 4; Securities Exchange Act of 1934, Section 3(a)(39)(F).

FINDINGS AND CONCLUSIONS

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

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

1. FINRA staff commenced an investigation upon notification by the Firm of its receipt of a complaint from customer RR claiming that Respondent 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 Respondent misused customer funds, as discussed below.

2. During 2007 and 2008, Respondent 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 Respondent represented to be safer, higher yield investments with the Affiliate.

3. The Customers were familiar with the business of the Affiliate and had established relationships with Respondent as their financial advisor. As such, trusting Respondent's representations, the Customers agreed to the purported investment recommendations. Following Respondent's instructions, they withdrew funds from their Firm

accounts, deposited the withdrawals into their respective personal bank accounts, and then either (i) provided Respondent 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.

4. 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 Respondent represented. In total, these customers provided Respondent over \$589,000.00 for this purpose. Schedule A to this Order sets forth the amounts provided to Respondent 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.

5. Respondent 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, Respondent made improper use of the funds.

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

B. Failure to Respond to Rule 8210 Requests for Information and Documents – FINRA Rule 8210 and FINRA Conduct Rule 2010

7. As referenced above, FINRA staff commenced an investigation of Respondent 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.

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

9. FINRA staff sent Respondent 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 Respondent to provide the requested information and documents by April 30, 2009.

10. 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. Respondent did not provide the information and documents requested in the April 16th request.

11. On May 7, 2009, staff sent a second Rule 8210 request to Respondent 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 Respondent to respond by May 21, 2009.

12. 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. Respondent failed to provide the requested information and documents.

13. On July 7, 2009, staff sent Respondent 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 Respondent to respond by July 17, 2009.

14. 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. Respondent did not respond to the July 7th Rule 8210 request.

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

16. To date, Respondent has failed to provide information and documents that were requested, pursuant to Rule 8210, on April 16, 2009, May 7, 2009, and July 7, 2009. Respondent'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.

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

18. Respondent'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.

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 barred from associating with any FINRA member firm in any capacity. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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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 [REDACTED]	\$34,990.00
8/29/07 - \$14,010.00	9/17/07 - posted 9/18/07 - #Check [REDACTED]	\$14,000.00
9/6/07 - \$10,010.00	No date on check - Posted 9/21/07 - #Check [REDACTED]	\$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