

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

Department of Enforcement,

Complainant,

v.

Christopher Lee,

CRD No. 2784247,

Respondent.

Disciplinary Proceeding
No. 2009017726101

Hearing Officer LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: August 18, 2010

INTRODUCTION

Disciplinary Proceeding No. 2009017726101 was filed on June 17, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Christopher Lee submitted an Offer of Settlement (Offer) to Complainant dated August 9, 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

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

BACKGROUND

Lee entered the securities industry in July 1996 and obtained his Investment Company Products/ Variable Contract Limited Representative license (Series 6) one month thereafter. In November 1999, Lee also obtained his General Securities Representative license (Series 7). Lee worked at various firms until being terminated on April 8, 2009, after he admitted to misappropriating money from a customer. Lee has not been associated with any FINRA registered firm since that time. However, Lee remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA registered firm and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA registered firm. Lee has no prior disciplinary history.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Between January 2007 and April 2009, Respondent Christopher Lee ("Lee") misappropriated approximately \$166,000 from three senior customers by requesting withdrawals from their variable annuities without the customers' knowledge or authorization and having the checks mailed to him. This was in violation of NASD Conduct Rules 2330(a) and 2110 and FINRA Conduct Rule 2010.

2. Additionally, in some instances, Lee forged a customer's name on certain annuity withdrawal forms without the customer's knowledge or authorization in violation of NASD Conduct Rule 2110 and FINRA Conduct Rule 2010.

RESPONDENT AND JURISDICTION

3. Lee entered the securities industry in July 1996.
4. Lee obtained his Investment Company Products/Variable Contract Limited Representative license (Series 6) in August 1996 and his General Securities Representative license (Series 7) in November 1999.
5. For approximately ten years after entering the securities industry, Lee worked at various firms in the San Francisco, California, area.
6. In January 2006, Lee became employed by Citicorp Investment Services, which merged with Citigroup Global Markets, Inc. ("Citigroup") in August 2007.
7. In December 2007, Lee became employed by a San Rafaela, California, branch of IFMG Securities, which was in turn acquired by LPL Financial Corporation ("LPL").
8. In March 2008, Lee was transferred to LPL as a Financial Advisor in Santa Rosa, California.
9. On April 8, 2009, LPL terminated Lee's employment after he admitted to misappropriating money from one customer. Lee has not been associated with any FINRA registered firm since that time.
10. Although Respondent has not been associated with a FINRA registered firm since April 8, 2009, he remains subject to FINRA's jurisdiction for purposes of this

proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA registered firm and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA registered firm.

FIRST CAUSE OF ACTION
Misappropriation of Customer Funds
NASD Conduct Rules 2330(a) and 2110 and
FINRA Conduct Rule 2010¹

11. The Department realleges and incorporates by reference paragraphs 1-10 above.
12. During the period of January 2007 through April 2009 (the "relevant period"), Lee worked as a registered representative for Citigroup and LPL branch offices in the San Francisco, California area, serving retail customers.
13. Throughout the relevant period, Lee worked independently in a non-OSJ branch office.
14. Without his employing firms' knowledge, Lee maintained a number of variable annuity withdrawal forms in his files that customers had pre-signed.
15. When clients called requesting withdrawals, Lee dated the pre-signed withdrawal forms and submitted them to the insurance companies that issued the annuities.
16. Generally, the insurance companies sent the requested funds directly to the customers' address of record on the account.

¹ FINRA Conduct Rule 2010 went into effect and replaced NASD Conduct Rule 2110 on December 18, 2008, during the relevant period.

17. However, with three senior customers, VF, DP and EG, Lee misappropriated funds from their accounts.
18. Without the customers' authorization or knowledge, Lee altered the pre-signed withdrawal forms by changing the payment and mailing instructions.
19. Lee instructed the payment to be sent to a "special payee" and in the "special payee" section of the withdrawal form, Lee wrote in his name and home address and submitted the forms to the insurance companies.
20. After receiving the falsified forms, the annuity companies mailed checks from the three customers' annuity accounts, made payable to Lee, to his home address.
21. Lee thereafter endorsed the checks, deposited them into his personal bank account and used the funds for his own purposes.
22. As one example, Lee misappropriated approximately \$65,000 from customer VF who at the time was 77 years old.
23. Lee submitted two falsified withdrawal request forms for VF; the first on December 3, 2008 and the second on January 22, 2009.
24. The withdrawal forms requested that the checks be made payable to "Christopher Lee" and sent to his home address.
25. Lee submitted the withdrawal forms to the insurance company, which processed the requests and forwarded the checks to Lee per the instructions on the withdrawal form.
26. Lee deposited the checks into his personal bank account and used the funds for his own purposes.

27. Customer VF did not realize that Lee was taking withdrawals from her variable annuity account, nor had she authorized him to do so.
28. By using the same ruse, between January 2007 and July 2008, Lee misappropriated approximately \$80,000 from customer EG's variable annuity account via four withdrawals and approximately \$21,000 from customer DP's variable annuity account via three withdrawals.
29. Customers EG and DP, ages 69 and 84 respectively, at the time of the last withdrawals in their accounts, did not know that Lee was taking withdrawals from their variable annuity accounts, nor had they authorized him to do so.
30. By reason of foregoing, Respondent Lee violated NASD Conduct Rules 2330(a) and 2110 and FINRA Conduct Rule 2010 by misappropriating funds from VF, DP and EG.

SECOND CAUSE OF ACTION
Forgery of Customer Signatures
NASD Conduct Rule 2110 and FINRA Rule 2010

31. The Department realleges and incorporates by reference paragraphs 1-30 above.
32. In some instances, Lee did not have previously signed forms in a customer's file.
33. In those instances, Lee forged the customer's signature on the form requesting the withdrawal.
34. None of the customers realized that Lee had signed their name on the withdrawal form and taken withdrawals from their variable annuity accounts, nor had they

authorized him to do so. Therefore, Lee violated NASD Conduct Rule 2110 and FINRA Conduct Rule 2010.

Based on the foregoing, Respondent violated NASD Conduct Rules 2330(a) and 2110, and FINRA Conduct Rule 2010 by misappropriating customer funds and forging customer signatures.

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

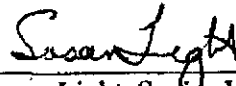
It is ordered that Respondent be barred from associating with any FINRA registered firm in any capacity. Lee understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Lee may not be associated with any member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

The sanctions herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar of expulsion is effective upon approval or acceptance of this Offer.

SO ORDERED.

FINRA

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



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FINRA Department of Enforcement

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