

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

DEPARTMENT OF ENFORCEMENT, :
Complainant, :
: DISCIPLINARY PROCEEDING
v :
: No. 2009017788261
SANJEEV JAYANT SHAH,
(CRD No. 40069454), :
Respondent. :

COMPLAINT

The Department of Enforcement alleges:

OVERVIEW

1. Between October 2008 and March 2009, Sanjeev Jayant Shah ("Shah"), while employed at Citigroup Global Markets Inc. (the "Firm," "Citigroup" or "Smith Barney"), engaged in unauthorized trading, made improper use of over \$3 million of customer funds, forged and falsified customer letters of authorization ("LOAs"), and sent a falsified email to a customer. In addition, Shah failed to respond to FINRA's requests for information and testimony pursuant to FINRA Rule 8210. Based on the foregoing conduct, Shah violated FINRA Rules 2010 and 8210, NASD Rules 2110 and 2330(a), and IM-2310-2.

RESPONDENT AND JURISDICTION

2. Shah was born in [REDACTED]. Shah first entered the securities industry in 1999 with another FINRA member firm. Shah was registered with FINRA as a General Securities Representative of the Firm from October 2005 until March 2009. His employment was

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terminated from the Firm in March 2009.

3. Shah remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of the FINRA By-Laws as his alleged misconduct occurred while he was associated with a member firm and a complaint was filed within two years following his termination.

FIRST CAUSE OF ACTION

Unauthorized Trades

(FINRA Rule 2010; NASD Rule 2110; IM-2310-2)

4. The Department re-alleges and incorporates by reference paragraphs 1-3 above.

5. Shah made three unauthorized foreign currency ("FX") trades in the account of his client, CB: (i) the sale of a short put on the British Pound in the amount of \$22 million, on October 6, 2008; (ii) the purchase of a put on the British Pound in the amount of \$7 million (to partially cover the \$22 million sale), on December 10, 2008, and (iii) the sale of a short put on the Euro in the amount of \$9 million, on December 26, 2008. Shah executed these transactions without CB's knowledge, authorization or consent.

6. The three unauthorized FX transactions resulted in margin calls being generated for the CB account, and, without funds to meet the calls, certain of CB's accounts were frozen.

7. During this same time period, CB requested that certain monies be wired out of its Smith Barney account to various places. CB's wire transfer requests could not be executed because the accounts from which the transfers were to be made were frozen.

8. FINRA Rule 2010 and NASD Rule 2110 require that members and associated person observe "high standards of commercial honor and just and equitable principles of trade."

9. Executing transactions without CB's prior authorization and consent, as described in paragraph 5 above, constituted conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.
10. The unauthorized transactions on October 6, 2008 and December 10, 2008 constituted separate and distinct violations of NASD Conduct Rule 2110 by Shah.
11. The unauthorized transaction on December 26, 2008 constituted a violation of FINRA Rule 2010 by Shah.
12. All three unauthorized transactions described in paragraph 5 above violated IM-2310-2, which specifically prohibits "causing the execution of transactions which are unauthorized by customers."

SECOND CAUSE OF ACTION

Improper Use of Customer Funds

(NASD Rule 2330(a); FINRA Rule 2010)

13. The Department re-alleges and incorporates by reference paragraphs 1-12 above.
14. Shah made two unauthorized transfers of money from his client, BB, to CB in order to satisfy, in part, the fund requests made by CB and the margin calls for the CB account.
15. The first unauthorized transfer from BB was made on March 3, 2009, in the amount of \$1.5 million. Shah falsely told MC, a Director of BB, that he would be moving the money from Treasury Bills to a CD structure at RB, and that the money would be held at RB, not in BB's Smith Barney account.
16. Instead, Shah directed a transfer of \$1.5 million from BB to DD, a company in London owned by CS, Shah's friend. Shah instructed CS to transfer to CB the \$1.5 million that had been sent to DD. Shah falsely told CS that the reason for the two-part

transfer was that he was working on a real estate transaction where he did not want the two banks involved knowing each other's names.

17. Shah provided his branch Operations Manager, JR, with a telephone number to call to verify the BB transfer to DD, pursuant to branch wire transfer procedures. Instead of providing JR with a contact at BB, however, Shah provided the number for CS. Shah falsely told JR that the number was for an employee at BB and he intended for JR to believe that he was calling BB. When JR called the number to verify the wire transfer, CS pretended to be an employee of BB.

18. The \$1.5 million was transferred from BB to DD, and then from DD to CB.

19. Shah caused a second transfer to be made from BB to CB in the amount of \$1.75 million on March 12, 2009. This second transfer was undertaken in much the same way as the first, as Shah told MC that he was recommending that BB buy an additional CD from RB. The \$1.75 million was transferred from BB to DD, and then from DD to CB.

20. NASD Conduct Rule 2330(a) provides that "No member or person associated with a member shall make improper use of a customer's securities or funds."

21. Causing the transfers of funds from CB's securities account to DD, as described in paragraphs 14-19 above, constituted the improper use of customer funds, in violation of NASD Conduct Rule 2330(a).

22. Further, such transfers constituted conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

THIRD CAUSE OF ACTION

Forgery; Document Falsification

(FINRA Rule 2010)

23. The Department re-alleges and incorporates by reference paragraphs 1-22 above.

24. In order to carry out the unauthorized wire transfers from the BB account to DD, and ultimately to CB, on two occasions Shah forged a signature and falsified LOAs directing the transfer of funds from BB to DD.

25. First, on or about March 2, 2009, Shah forged a signature and falsified a LOA directing a transfer of \$1.5 million from BB to DD. To generate the forged signature, Shah took one of the account opening documents for BB and cut and pasted a signature he had on file for CC, a Director of BB. Shah created an email address

██████████ and used this address to send the LOA from his home computer to his work email account.

26. On or about March 11, 2009, Shah forged a signature and falsified a LOA for the second transfer of funds from BB to DD, in the amount of \$1.75 million, using a signature he had on file for CC. Shah sent the LOA to his Smith Barney email address from ██████████ an email address he created specifically for this purpose.

27. Shah also falsified an email to a customer regarding the client's obligation to meet capital calls. Shah's client AI invested in a private equity investment in 2007. The investment required the client to meet capital calls. Shah ignored capital call notices for AI.

28. When AI's beneficial owner, MD, asked Shah about why he was continuing to receive notices, Shah said that he told him that all outstanding calls had been met and to

ignore the notices.

29. In or about the third week of March 2009, Shah learned that there were outstanding capital calls that had not been met. In response, Shah falsely created a memo of activity on his computer showing that the capital calls had been met.

30. Shah made up the internal Smith Barney email address for a fictitious employee, "Henry O'Sullivan." This name and email address was similar to the name and email address of an actual Firm employee in the alternative investments group.

31. Shah incorporated the falsified O'Sullivan email address into an email he sent to MD on March 25, 2009 in order to give the false impression that the information he was sending came from the Firm's alternative investment group, and that the calls had been met. The email purporting to come from Mr. O'Sullivan indicated that the outstanding capital call owed by the customer had been met.

32. The customer forwarded the email to Shah's branch office manager. On March 27, 2009, when confronted by management, Shah admitted that he had manufactured the email and the information in it and made it appear that the email came from the alternative investments group.

33. Shah's forging and falsification of customer LOAs, as well as his falsification of a customer email, constituted conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

FOURTH CAUSE OF ACTION

Failure to Respond to Requests to Appear and Testify

(FINRA Rules 8210 and 2010)

34. The Department re-alleges and incorporates by reference paragraphs 1-33 above.

35. Shah failed to cooperate with FINRA's requests to appear and testify and to provide a signed, written statement in connection with its investigation into his misconduct.

36. FINRA requested that Shah appear for testimony by letter dated October 13, 2009. The letter was sent via certified mail and first class mail to one of Shah's two residential addresses according to CRD [REDACTED]. The letter sent via certified mail was returned to sender. The letter sent via first class mail was not returned. Shah failed to respond to this notice.

37. FINRA again requested that Shah appear for testimony and to provide a signed, written statement by separate letters dated November 5, 2009. The letters were sent via certified mail and first class mail to the [REDACTED] East 63rd Street address. Both letters were returned. Shah failed to respond to these notices.

38. By letters dated November 9, 2009, FINRA sent two additional notices pursuant to FINRA Rule 8210 to Shah. One notice requested that Shah appear to provide on-the-record testimony. The other notice requested that Shah provide a signed, written statement. These notices were sent via certified mail and first class mail to Shah's second residential address according to CRD [REDACTED]. The letters sent via certified mail were returned. The letters sent via first class mail were not returned. Shah failed to respond to these notices.

39. By letter dated December 10, 2009, FINRA sent a final request for Shah to appear to provide on-the-record testimony, and to provide a signed, written statement. The letter was sent via certified mail and first class mail to both of Shah's residential addresses according to CRD. The letters sent via certified mail, as well as the letter sent via first class mail to the [REDACTED] East 63rd Street address, were returned. The letter sent via first class mail to the [REDACTED] West 43rd Street address was not returned. Shah failed to respond to these notices.

40. FINRA has made reasonable efforts to locate an updated address for Shah, but has been unable to find one.

41. Shah has failed to cooperate and has not complied with Enforcement's requests for testimony and for a signed, written statement pursuant to FINRA Rule 8210.

42. FINRA Rule 8210(a) provides that Enforcement may "require a member, person associated with a member, or a person subject to the Association's jurisdiction to provide information orally, in writing or electronically. . ." FINRA Rule 8210(c) provides that "No member or person shall fail to provide information or testimony or to permit an inspection and copying of books and records, or accounts pursuant to this Rule."

43. As a result of the conduct set forth in paragraphs 35-43 above, Shah violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. Order that one or more of the sanctions provided under NASD Rule 8310(a) be imposed.

FINRA DEPARTMENT OF ENFORCEMENT

DATED: September 15, 2010


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