

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**MICHAEL DOUGLAS LARSEN
(CRD No. 4796817)**

RESPONDENT.

DISCIPLINARY PROCEEDING
NO. 2009018143701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From approximately April 2008 to April 17, 2009 (the "Relevant Period"), Michael Douglas Larsen ("Larsen"), a Series 6 and Series 63 registered person whose licenses were held by HSBC Securities, USA, Inc., a FINRA regulated firm, (the "Firm") misappropriated approximately \$400,000 from NP, a customer of HSBC Bank USA ("HSBC").

2. Larsen represented to NP that his money would be used for investment purposes. Larsen, however, through a series of improper transactions, diverted NP's funds from his HSBC account into accounts Larsen controlled at a purported investment firm and at another bank. Thereafter, Larsen used NP's funds for personal expenses, in violation of NASD Rule 2110 and FINRA Rule 2010.

3. Additionally, Larsen has failed to respond to requests for documents in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

4. Larsen obtained his Series 6 and Series 63 registrations in 2004 and 2005, respectively, while at another FINRA regulated firm. From April 2005 through April 26, 2009, Larsen was employed as a Series 6 Registered Premier Relationship Manager with HSBC a non-FINRA member banking affiliate of the Firm.

5. On May 12, 2009, FINRA received from the Firm a Uniform Termination Notice for Securities Industry Registration ("Form U5"), reporting that Larsen was terminated on April 17, 2009 for "failure to follow company policy." On May 26, 2009, FINRA received an amended Form U5 from the Firm reporting that after Larsen was terminated, the Firm commenced an investigation of Larsen's alleged misappropriation from an HSBC customer.

6. Larsen has not been employed in the securities industry since April 17, 2009, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws, which provides that a person who is no longer associated with a member is still subject to FINRA's rules for a period of two years after the effective date that the person ceases association with the member.

FACTS

7. During the Relevant Period, NP, an elderly man in his eighties, cared for his sick wife (now deceased). NP spent the winter months in Florida, departing from New York in October and returning to the New York area in May. While NP resided in Florida, his bank statements were sent to his New York address.

8. Larsen developed a close relationship with NP, who was often unable to visit the HSBC bank branch personally. Larsen visited NP at his home to assist in transferring money, reviewing bank statements and balancing his checkbook.

9. In or about April 2008, Larsen convinced NP to surrender an annuity valued approximately at \$94,000. The funds were deposited into NP's checking account at HSBC.

10. In or about December 2008, Larsen convinced NP to surrender another annuity, valued at approximately \$261,000, which was also deposited into NP's checking account at HSBC.

11. Larsen represented to NP that the proceeds from the surrendered annuities would be used for investments that would yield greater returns than his current annuities.

12. Larsen then used the proceeds from the surrendered annuities to effect a series of transactions that ultimately allowed Larsen to use NP's money for personal expenses.

13. Upon NP's return to the New York area from Florida on or about May 4, 2009, he reviewed his bank statements and noted that some of his money was not in his bank account. NP made inquiries to HSBC personnel. HSBC commenced a lawsuit against Larsen to recover NP's funds that Larsen had transferred out of NP's HSBC account. HSBC, the bank, was able to recover approximately \$183,000 from Larsen and paid NP an additional approximately \$171,000 to make him whole.

I. THE VIOLATIVE TRANSACTIONS

Agape World, Inc.

14. In or about April 2008, Larsen debited NP's checking account in the amount of approximately \$94,000 and purchased a bank check in that amount made payable to Agape World, Inc. ("Agape"). The money was from an annuity that NP had surrendered in April 2008 upon Larsen's recommendation.

15. Although these funds were initially placed into Agape under NP's name, Larsen, executed an internal Agape form that effectively changed the name on the account to 41

Ventures, Inc. ("41 Ventures"), an entity that, according to Larsen, he had set up years earlier to promote events at local night clubs. Larsen was the sole owner of 41 Ventures and the sole signatory on the account in 41 Ventures' name.

16. There were no documents to reflect that the funds belonged to NP or were transferred to Agape for NP's benefit thus leaving NP with no proof that this was his own money.

17. Additionally, in or about April 2008 to January 2009, through 41 Ventures, Larsen received from Agape dividends totaling approximately \$48,000, stemming from the initial \$94,000 investment. None of these funds were returned or credited to NP.

18. NP did not authorize Larsen to use any of NP's funds for Larsen's personal benefit.

19. At the time of Agape's bankruptcy, NP's money, held by Agape, in the name of 41 Ventures, was dissipated. Agape is being investigated by the United States Attorney for the Eastern District of New York.

41 Ventures, Inc.

20. In or about December 9, 2008, Larsen debited approximately \$261,000 from NP's HSBC checking account. This money was from an annuity that NP had surrendered in December 2008 on Larsen's recommendation.

21. Larsen retained \$4,500 of that money for his personal benefit and remitted \$1,250 to NP. He had a Bank check issued for the remaining approximately \$255,000 made payable to 41 Ventures. This \$255,000 was deposited into a 41 Ventures account held at TD Bank over which Larsen had sole check signing rights and debit card rights.

22. In or about December 2008 to May 2009, Larsen, with the debit card associated with the 41 Ventures account at TD Bank, made several purchases for personal expenses totaling

approximately \$72,000. Larsen spent the money at luxury vendors including Coach, Tiffany and American Express.

23. The source of funds in the 41 Ventures account was from NP. Thus, Larsen used NP's money for personal expenses and not for investment purposes as represented.

24. No documents reflect that the debit card associated with the 41 Ventures account was used in connection with any investments or purchases for NP's benefit.

25. NP did not authorize Larsen to use any of NP's funds for Larsen's personal benefit.

II. LARSEN'S FAILURE TO PROVIDE WRITTEN RESPONSES

26. On December 16, 2009, Enforcement took Larsen's on-the-record interview, during which Enforcement requested that Larsen produce several documents in connection with Enforcement's investigation.

27. In an email sent to Larsen on December 17, 2009, Enforcement memorialized the document request pursuant to FINRA Rule 8210 and requested that Larsen produce the information by January 6, 2010. Such documents included Larsen's personal and corporate tax returns, Larsen's personal and 41 Ventures bank and brokerage accounts statements and copies of NP's bank and brokerage account statements.

28. Larsen acknowledged receipt of the email and agreed to produce these documents. However, Larsen has failed to provide any of the requested documents pursuant to FINRA Rule 8210.

29. By letters dated May 12, 2010 and June 4, 2010, sent via certified and first class mail and electronic mail to Larsen's residential address as reflected in the Central Registration Depository ("CRD"), Enforcement renewed its request that Larsen produce the information set forth in the December 17, 2009 email. The letters also advised Larsen that his failure to submit

the requested documents might expose him to sanctions, including a permanent bar from the securities industry.

30. Enforcement received the return receipts for the letters sent to Larsen via certified mail. However, the signatures were undecipherable to Enforcement staff. Both letters sent to Larsen via first class mail were not returned to Enforcement.

31. To date, Enforcement has not received Larsen's response to the December 17, 2009 email or the May 12, 2010 and June 4, 2010 letters.

**FIRST CAUSE OF ACTION
MISAPPROPRIATION OF CUSTOMER FUNDS
(NASD RULE 2110 and FINRA Rule 2010)**

32. The Department realleges and incorporates by reference paragraphs 1 through 31 above.

33. NASD Rule 2110 requires that members observe "high standards of commercial honor and just and equitable principles of trade." NASD Rule 2110 was superseded by FINRA Rule 2010 on December 15, 2008, but the language of the Rule remains the same.

34. Larsen engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in that he liquidated or transferred NP's funds out of NP's bank account and used the funds for his own benefit rather than for NP's investment purposes.

REMOVING CUSTOMER'S NAME FROM AN INVESTMENT ACCOUNT

35. In or about April 2008, Larsen debited NP's checking account in the amount of approximately \$94,000 and purchased a bank check in that amount made payable to Agape.

36. Larsen had initially used these funds to open an account at Agape under NP's name.

37. However, shortly after placing the money into Agape, Larsen executed an internal form with Agape that effectively changed the name on the account to 41 Ventures, Inc., an entity that Larsen owned and controlled.

38. By changing the name on the Agape account to an account in the name of 41 Ventures, in which NP had no interest, Larsen misappropriated NP's money in violation of NASD Rule 2110 in effect at the time.

FAILING TO REMIT DIVIDENDS TO THE CUSTOMER

39. In or about April 2008 to January 2009, Larsen, though 41 Ventures, received dividends from Agape totaling approximately \$48,000, stemming from the initial \$94,000 investment.

40. Larsen neither remitted nor credited any of these dividends to NP.

41. NP did not authorize Larsen to use any of NP's funds for Larsen's personal benefit.

42. For the portion of the \$48,000 that Larsen received and retained prior to December 15, 2008, Larsen engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2110 in effect at the time.

43. For the portion of the \$48,000 that Larsen received and retained after December 15, 2008, Larsen engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010 in effect at the time.

DEPOSITING CUSTOMER MONEY INTO AN ACCOUNT CONTROLLED BY LARSEN

44. In or about December 9, 2008, Larsen debited approximately \$261,000 from NP's HSBC checking account and used approximately \$255,000 to issue a Bank check made payable to 41 Ventures, an entity owned and controlled by Larsen.

45. This was not an investment for the benefit of the customer as represented to the customer.

46. Such conduct by Larsen constitutes a violation of NASD Rule 2110 in effect at the time.

USING CUSTOMER MONEY FOR PERSONAL EXPENSES

47. In or about December 9, 2008 to May 2009, Larsen used a debit card associated with the 41 Ventures account to make purchases for his own benefit totaling approximately \$72,000.

48. All of the money in the 41 Ventures account was funded by the proceeds from NP's checking account at HSBC. Thus, Larsen's debit card purchases were made with money that belonged to NP.

49. NP did not authorize Larsen to use any of NP's funds for Larsen's personal benefit.

50. For the portion of the debit card purchases made prior to December 15, 2008, Larsen engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2110 in effect at the time.

51. For the portion of the credit card purchases made after December 15, 2008, Larsen engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010 in effect at the time.

52. The aforementioned acts, practices, and conduct constitute a violation of NASD Rule 2110 and FINRA Rule 2010.

SECOND CAUSE OF ACTION
FAILURE TO PROVIDE REQUESTED DOCUMENTS
(FINRA RULES 8210 AND 2010)

53. The Department realleges and incorporates by reference paragraphs 1 through 52 above.

54. FINRA Rule 8210 requires that all members comply with a FINRA request to inspect books, records and accounts.

55. FINRA Rule 2010 requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade.

56. By electronic mail sent to Larsen on December 17, 2009, Enforcement requested pursuant to FINRA Rule 8210 that he provide documents requested during his on-the-record interview held on December 16, 2009. The electronic mail requested that Larsen submit the documents by no later than January 6, 2010.

57. Larsen acknowledged receipt of the electronic mail and agreed to produce these documents. However, Larsen has failed to provide any of the requested documents pursuant to FINRA Rule 8210.

58. By letter dated May 12, 2010, Enforcement again requested that pursuant to FINRA Rule 8210 Larsen provide documents requested during his on-the-record interview. Larsen was *required to submit these documents by June 2, 2010.*

59. Larsen has failed to provide any of the requested documents pursuant to FINRA Rule 8210.

60. By letter dated June 4, 2010, Enforcement sent another letter to Larsen requesting that pursuant to FINRA Rule 8210 he provide documents requested during his on-the-record interview. These documents were to be submitted by June 18, 2010.

61. To date, Larsen has not provided any of the requested documents.

62. The aforementioned acts, practice, and conduct constitute a violation of FINRA Rules 8210 and 2010.

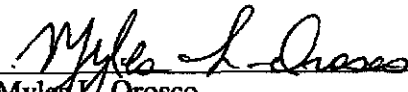
RELIEF REQUESTED

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.
- 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: October 22, 2010


Myles L. Orosco
Director
FINRA Department of Enforcement
14 Wall Street 14th Floor
New York, New York 10005
Phone: 646-315-7383 Fax: 646-315-7425

Howard Alan Grinsberg
Senior Counsel
FINRA Department of Enforcement
14 Wall Street 14th Floor
New York, New York 10005
Phone: 646-315-7344 Fax: 646-315-7441