

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVEN VINCENT HAZARD
(CRD No. 2648419),

Hazard.

Disciplinary Proceeding
No. 2009018165601

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

January 9, 2012

Hazard is barred from associating with any FINRA registered firm in any capacity for borrowing money from his customers, in violation of NASD Conduct Rules 2370 and 2110; and for failing to respond to requests for information, in violation of Procedural Rule 8210 and Conduct Rule 2010. In addition, Hazard is ordered to pay restitution in the amount of \$47,500.

Appearances

For the Department of Enforcement, Complainant, Karen E. Whitaker, Esq., FINRA,
DEPARTMENT OF ENFORCEMENT, Dallas, Texas.

No appearance by Steven Vincent Hazard.

DECISION

I. Introduction

The FINRA Department of Enforcement (“Enforcement”) filed the attached Complaint with the Office of Hearing Officers on August 24, 2011. The Complaint charges Respondent Steven Vincent Hazard (“Hazard”) with: (1) borrowing money from customers, in violation of NASD Conduct Rules 2370 and 2110; and (2) failing to respond fully to multiple requests for

information and documents requested by FINRA staff, in violation of FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010.¹

Hazard did not answer the Complaint. Accordingly, on November 21, 2011, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”), which is supported by the sworn declaration of Karen E. Whitaker, Esq. (“Decl.”), and three attached exhibits.²

For the reasons set forth below, the Hearing Officer found Hazard in default and granted Enforcement’s Default Motion.

II. Procedural History

On August 24, 2011, Enforcement served the Complaint and the First Notice of Complaint on Hazard by mailing them to his most recent address recorded in the Central Registration Depository (“CRD”) by first-class and certified mail, return receipt requested.³ Enforcement also mailed copies of the Complaint and First Notice of Complaint to an alternate address. The certified mailing sent to his CRD address was returned to Enforcement signed by “Steven Hazard.”⁴ Hazard did not answer the Complaint.

On September 27, 2011, Enforcement served Hazard with the Second Notice of Complaint by first-class and certified mail, return receipt requested, addressed to his CRD

¹ Following consolidation of NASD and the member regulation, enforcement, and arbitration functions of NYSE Regulation into FINRA, FINRA began developing a new “Consolidated Rulebook” of FINRA Rules. The first phase of the consolidated rules became effective on December 15, 2008. *See* FINRA Regulatory Notice 08-57, 2008 FINRA LEXIS 74 (Dec. 8, 2008). Because the Complaint in this case was filed after December 15, 2008, the procedural rules that apply are the FINRA rules of procedure. The conduct rules that apply are those that existed at the time of the conduct at issue.

² Enforcement’s exhibits are labeled CX-1 through CX-3.

³ Decl. ¶ 37.

⁴ *Id.* ¶ 38; CX-2, at 15. The mailings sent to the alternate address were returned to Enforcement with notations indicating that they were not deliverable as addressed and that the United States Postal Service lacked a current forwarding address for Hazard. Decl. ¶ 39.

address.⁵ Enforcement also mailed a copy to the alternate address. Neither mailing sent to Hazard's CRD address was returned to Enforcement.⁶

Hazard did not answer the Complaint by the deadline set in the Second Notice of Complaint, and Enforcement filed the Default Motion on November 21, 2011. Hazard did not file a response to the motion.

The Hearing Officer finds that Enforcement properly served Hazard by first-class certified mail pursuant to Rule 9134 and that Hazard therefore received constructive notice of this proceeding. The evidence further reflects that Hazard received copies of the Complaint and Notice of Complaint on August 29, 2011. Accordingly, the Hearing Officer finds Hazard in default and grants Enforcement's Default Motion.

III. Findings of Fact and Conclusions of Law

A. Background

Hazard entered the securities industry in 1995. He was associated with FINRA member firm H.D. Vest Investment Securities, Inc. ("H.D. Vest") from June 1998 until August 28, 2009, during which period he was registered with FINRA as a General Securities Representative.⁷ H.D. Vest terminated Hazard's employment for violating the firm's policy regarding personal loans from the firm's customers.⁸

⁵ Decl. ¶ 40.

⁶ *Id.* ¶ 41. The mailings sent to the alternate address were returned to Enforcement with notations indicating that they were not deliverable as addressed and that the United States Postal Service lacked a current forwarding address for Hazard. Decl. ¶ 42.

⁷ CX-1, at 2.

⁸ *Id.*

B. Jurisdiction

FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after his registration terminated, and (2) the Complaint charges him with misconduct that occurred while he was associated with H.D. Vest, and with failing to respond to Enforcement's requests for information made during the two-year period following the termination of his FINRA registration.⁹

C. Borrowing from Customers

NASD Conduct Rule 2370 provides, in pertinent part, that "(a) [n]o person associated with a member in any registered capacity may borrow money from or lend money to any customer of such person unless: (1) the member has written procedures allowing borrowing and lending of money between such registered persons and customers of the member"¹⁰ Hazard violated Rule 2370 by borrowing money from customers GG and GE. H.D. Vest had a written policy prohibiting its registered representatives from borrowing money from customers.¹¹

Hazard served as customer GG's financial advisor at H.D. Vest between April 2006 and April 2007. During that period, Hazard received the following six loans from customer GG:

Date	Amount
April 26, 2006	\$9,500
April 28, 2006	\$9,500
May 5, 2006	\$9,500
June 28, 2006	\$9,500
June 28, 2006	\$9,500
April 3, 2007	\$20,000
Total:	\$67,500

⁹ See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/Rules (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

¹⁰ Rule 2370 contains other conditions under which borrowing from customers is permissible; however, they are not relevant here because H.D. Vest did not permit borrowing under any circumstances.

¹¹ Compl. ¶ 14.

On July 13, 2007, Hazard repaid the \$20,000 loan made on April 3, 2007.¹² He has not repaid any of the other loans, totaling \$47,500.¹³

On June 22, 2007, Hazard borrowed \$100,000 from GE, another H.D. Vest customer.¹⁴ At the time, Hazard was GE's financial advisor. The loan from GE is evidenced by a promissory note, which obligated Hazard to pay GE \$112,000 in one year. Hazard did not pay GE when the note fell due, and they entered into a Promissory Note Extension that required Hazard to pay the balance in full on or before October 31, 2008.¹⁵

Hazard defaulted in payment of the Promissory Note Extension, and GE obtained a court judgment against Hazard in July 2009 in the amount of \$126,361.48, which amount includes prejudgment interest and attorney's fees.¹⁶ Hazard has not made any payments on the judgment.

H.D. Vest did not approve any of the foregoing loan transactions.¹⁷

The Hearing Officer finds that Hazard violated NASD Conduct Rules 2370 and 2110, as alleged in the Complaint.

D. Failure to Provide Complete Responses to Requests for Information and Documents

In connection with the investigation into the reason H.D. Vest terminated Hazard's employment, FINRA Staff sent Hazard a series of five requests for information and documents, to which Hazard failed to respond. The requests were dated September 14, October 1, November 24, December 2, and December 15, 2009.¹⁸ FINRA Staff sent each request addressed to Hazard

¹² Compl. ¶ 8.

¹³ *Id.*

¹⁴ *Id.* ¶ 9.

¹⁵ *Id.* ¶ 11.

¹⁶ *Id.* ¶ 12.

¹⁷ *Id.* ¶ 15.

¹⁸ Compl. ¶¶ 19-24.

at his CRD address. FINRA Staff also sent the latter two requests to Hazard at an alternate address. Each request was sent pursuant to FINRA Rule 8210. FINRA staff received two certified mailing receipts for mailings sent to the alternate address, each bearing Hazard's signature.¹⁹

On December 9, 2009, Hazard provided a partial response to the information requests. He did not however provide information regarding customer loans or his termination from H.D. Vest. FINRA Staff's final letter dated December 15, 2009, requested this missing information. Hazard did not respond to this request.²⁰

Based on the foregoing facts, the Hearing Officer finds that Hazard violated FINRA Rules 8210 and 2010 by failing to respond completely to the staff's requests for information, as alleged in the Complaint.

IV. Sanctions

A. Borrowing Money from Customers

The FINRA Sanction Guidelines ("Sanction Guidelines") do not provide specific guidance for borrowing money from a customer in violation of Conduct Rule 2370. However, an NASD Notice to Members provides guidance on Rule 2370's importance: "Loans between registered persons and their customers are of legitimate interest to NASD and member firms because of the potential for misconduct. NASD has brought disciplinary action against registered persons who have violated just and equitable principles of trade by taking unfair advantage of

¹⁹ Compl. ¶¶ 25, 27.

²⁰ *Id.* ¶ 32.

their customers by inducing them to lend money in disregard of the customers' best interests, or by borrowing funds from, but not repaying, customers."²¹

According to the General Principles Applicable to All Sanction Determinations ("General Principles"), adjudicators should impose sanctions that are designed to deter future misconduct and improve overall business standards. In addition, adjudicators are directed to consider whether the respondent accepted responsibility for and acknowledged the misconduct to his employer or a regulator prior to detection and intervention by the employer or regulator, and whether he engaged in the misconduct over an extended period of time.²²

The Hearing Officer finds that Hazard's misconduct was egregious. Hazard borrowed \$167,500 from his customers in multiple transactions over more than a two-year period. In addition, he failed to repay \$147,500 due to his customers. The Hearing Officer finds that a bar is necessary to protect the investing public. Accordingly, the Hearing Officer will bar Hazard for this violation.

In addition, the Hearing Officer will order Hazard to pay restitution to customer GG in the principal sum of \$47,500, plus interest on the outstanding balance until it is paid in full.²³

B. Failure to Respond to Requests for Information

For failing to respond to FINRA Rule 8210 requests for information, the Sanction Guidelines provide that a bar should be "standard" when there is a complete failure to respond.²⁴

²¹ NASD Notice to Members 03-62, October 2003.

²² FINRA Sanction Guidelines 6 (2011) (Principal Considerations in Determining Sanctions Nos. 2, 9, and 10), available at www.finra.org/sanctionguidelines.

²³ The Hearing Officer did not order Hazard to pay restitution to GE because GE obtained a court judgment for the full amount due.

²⁴ Sanction Guidelines 33.

The Guidelines for failing to respond to requests for information instruct adjudicators to consider the importance of the information requested “as viewed from FINRA’s perspective.”²⁵

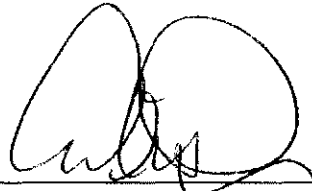
The Hearing Officer finds that a bar from associating with any FINRA member firm in all capacities is an appropriately remedial sanction given all of the facts and circumstances, including a lack of mitigating factors that would warrant a lesser sanction. The documents and information that the staff sought were important. The staff was investigating serious misconduct. A bar remedies the risk that Enforcement will not be able to obtain information necessary for the protection of investors and will serve to deter others from failing to provide Enforcement with information requested under Rule 8210 at the time such requests are made. Accordingly, the Hearing Officer also will bar Hazard from associating with any FINRA member firm in all capacities for this violation.

V. Order

Hazard is barred from associating with any member firm in any capacity for borrowing money from his customers, in violation of NASD Conduct Rules 2370 and 2110, as alleged in the First Cause of Action; and for failing to respond to requests for information, in violation of Procedural Rule 8210 and Conduct Rule 2010, as alleged in the Second Cause of Action. The bars shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.

²⁵ Sanction Guidelines 33.

In addition, Hazard is ordered to pay restitution to GE in the principal amount of \$47,500, plus interest thereon at the rate established under Section 6621(a)(2) of the Internal Revenue Code from July 13, 2007, until paid.²⁶

A handwritten signature in black ink, appearing to read 'Andrew H. Perkins', is written over a horizontal line.

Andrew H. Perkins
Hearing Officer

Copies to:

Steven Vincent Hazard (*via overnight courier and first-class mail*)
Karen E. Whitaker, Esq. (*via electronic and first-class mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

²⁶ 26 U.S.C. § 6621(a)(2). The interest rate, which is used by the Internal Revenue Service to determine interest due on underpaid taxes, is adjusted each quarter and reflects market conditions. Customer GE is identified in the addendum to this decision, which is served only on the parties.

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement

Complainant

v.

Steven Vincent Hazard
General Securities Representative
CRD No. 2648419

Respondent

DISCIPLINARY PROCEEDING
No. 2009018165601

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period from April 2006 to June 2007, registered representative Steven Hazard improperly borrowed \$167,500 from two customers of his employer member firm. Hazard also failed to completely respond to FINRA requests for information regarding, among other things, the loans from the customers.

RESPONDENT AND JURISDICTION

2. Steven Hazard entered the securities industry in August 1995 when he associated with FINRA member firm H.D. Vest Investment Securities, Inc., where he remained until his termination on August 28, 2009. Hazard has not since registered with another FINRA member firm. During his career in the securities industry, Hazard obtained Series 7 and 63 securities licenses.

3. Although Hazard has not been associated with a FINRA member firm since August 28, 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 member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be associated with a FINRA member.

FIRST CAUSE OF ACTION

(NASD Rules 2370 and 2110 – Borrowing from Customers)

4. The Department realleges and incorporates by reference paragraphs 1-3 above.
5. During the period from April 2006 to April 2007, Hazard, while associated with FINRA member firm HD Vest, received six loans totaling \$67,500 from HD Vest customer GG. During the relevant time period, Hazard served as GG's registered representative and financial advisor.
6. Hazard received the following loan payments from GG:

Date	Amount
4/26/2006	\$9,500
4/28/2006	\$9,500
5/5/2006	\$9,500
6/28/2006	\$9,500
6/28/2006	\$9,500
4/03/2007	\$20,000
TOTAL	\$67,500

7. GG used proceeds from a home equity line of credit to make the loan payments to Hazard.

8. On July 13, 2007, Hazard repaid the \$20,000 loan. However, he has not repaid the remaining \$47,500.
9. On or about June 22, 2007, Hazard, while associated with HD Vest, received a loan in the amount of \$100,000 from HD Vest customer GE. During the relevant time period, Hazard served as GE's registered representative and financial advisor.
10. GE used proceeds from the liquidation of his HD Vest brokerage account to make the loan to Hazard.
11. The loan between Hazard and GE is evidenced by a Promissory Note that was signed by Hazard as the "borrower." The terms of the note required Hazard to repay GE \$112,000 one year after the loan origination date. When Hazard failed to repay the loan by the deadline, the parties entered into a Promissory Note Extension that required Hazard to repay the loan by October 31, 2008.
12. In July 2009, after Hazard failed to repay the loan pursuant to the terms of the extension agreement, GE obtained a default judgment against Hazard in the amount of \$126,361.48, which includes prejudgment interest and attorney's fees.
13. Hazard has not satisfied the judgment or otherwise repaid the loan to GE.
14. HD Vest's written supervisory procedures prohibited registered representatives from borrowing or lending to a customer.
15. HD Vest never approved the loans from customers GG and GE to Hazard.
16. Hazard is not related to either GG or GE.
17. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2370 and 2110 by Steven V. Hazard.

SECOND CAUSE OF ACTION
(FINRA Rules 8210 and 2010 - Failure to Respond)

18. The Department realleges and incorporates by reference paragraphs 1-17 above.
19. By letter dated September 14, 2009, FINRA staff requested, pursuant to FINRA Rule 8210, that Hazard provide a written response to questions regarding the reason for his termination from HD Vest and information about any loans to or from customers.
20. The letter was sent, via certified and first class mail, to Hazard at his CRD home address. Hazard was required to respond by September 28, 2009.
21. On October 8, 2009, the certified mailing was returned to the district office marked "Return To Sender," "Unclaimed" and "Unable To Forward." The letter sent via first class mail was not returned.
22. By letter dated October 1, 2009, FINRA staff again requested, pursuant to FINRA Rule 8210, that Hazard provide the previously requested information. The letter was sent, via certified and first class mail, to Hazard at his CRD address and at an alternate address. Hazard was required to respond by October 15, 2009.
23. On October 23, 2009, the certified mailing to the CRD address was returned to the district office marked "Return To Sender," "Unclaimed" and "Unable To Forward." The certified mailing to the alternate address was returned marked "Unclaimed." The letters sent via first class were not returned.
24. By letter dated November 24, 2009, FINRA staff sent a third request, pursuant to FINRA Rule 8210, for the previously requested information as well as additional information about customer GG. The letter was sent, via certified and first class mail, to Hazard at his CRD address and the alternate address. Hazard was required to respond by December 1, 2009.

25. On December 18, 2009, the certified mailing to the CRD address was returned to the district office marked "Return To Sender," "Unclaimed" and "Unable To Forward." On December 7, 2009, the return receipt card for the certified mailing to the alternate address was returned to the district office signed by "Steve Hazard." The letters sent via first class mail were not returned.
26. By letter dated December 2, 2009, FINRA staff again requested, pursuant to FINRA Rule 8210, that Hazard provide the previously requested information. The letter was sent, via certified and first class mail, to Hazard at his CRD address and the alternate address. Hazard was required to respond by December 9, 2009.
27. On December 18, 2009, the certified mailing to the CRD address was returned to the district office marked "Return To Sender," "Unclaimed" and "Unable To Forward." On December 15, 2009, the return receipt card for the certified mailing to the alternate address was returned to the district office signed by "Steve Hazard." The letters sent via first class mail were not returned.
28. On December 9, 2009, Hazard provided a partial response, but failed to provide any information regarding loans to and from customers or his termination from HD Vest.
29. On December 15, 2009, FINRA staff sent a final letter, pursuant to FINRA Rule 8210, requesting that Hazard provide the previously requested information.
30. The letter was sent, via certified and first class mail, to Hazard at his CRD address and the alternate address. Hazard was required to respond by December 29, 2009.
31. Both letters sent via certified mail were returned marked "Return To Sender," "Unclaimed" and "Unable To Forward." The letters sent via first class mail were not returned.
32. To date, Hazard has failed to completely respond to FINRA's requests for information.

33. Such acts, practices, and conduct constitute separate and distinct violations of FINRA Rules 8210 and 2010 by Steven V. Hazard.

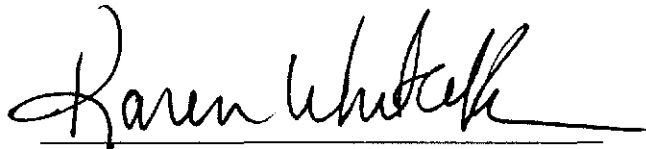
RELIEF REQUESTED

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 one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest.
- C. 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: August 24, 2011



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