

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVEN M. SPEKTOR
(CRD No. 4743058),

Respondent.

Disciplinary Proceeding
No. 20090192254

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

May 3, 2011

Respondent is barred from associating with any FINRA registered firm in any capacity for converting insurance premium payments, in violation of FINRA Conduct Rule 2010; and for failing to respond to requests for information, in violation of Procedural Rule 8210 and Conduct Rule 2010.

Appearances

Steven F. Korostoff, Esq., for the Department of Enforcement.

No appearance by or on behalf of Steven M. Spektor.

DECISION

I. Introduction

The FINRA Department of Enforcement ("Enforcement") filed the attached Complaint with the Office of Hearing Officers on December 22, 2010. The Complaint charges Respondent Steven M. Spektor ("Respondent") with: (1) converting insurance premium payments, in violation of FINRA Conduct Rule 2010; and (2) failing to provide information, documents, and testimony requested by FINRA staff, in violation of FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010.

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Respondent did not answer the Complaint. Accordingly, on March 18, 2011, Enforcement filed a Motion for Entry of Default Decision and Request for Sanctions ("Default Motion"), together with the declaration of Steven F. Korostoff, Esq. ("Decl.") and 18 exhibits.¹ For the reasons set forth below, the Hearing Officer found Respondent in default and granted Enforcement's Default Motion.

II. Procedural History

On December 22, 2010, Enforcement served the Complaint and the First Notice of Complaint on Respondent by mailing them to his most recent address recorded in the Central Registration Depository ("CRD").² In addition, Enforcement served the Complaint and First Notice of Complaint on Respondent at two alternate addresses Enforcement obtained during its investigation. Enforcement sent each mailing by first-class and certified mail, return receipt requested. The United States Postal Service returned the certified mailing sent to Respondent's CRD address with a notation indicating that it was not deliverable as addressed.³ The United States Postal Service also returned the certified mailing sent to the alternate address Enforcement obtained from a database search on LEXIS.com.⁴ On January 5, 2011, Enforcement received a signed receipt for the certified mailing that had been delivered at the alternate address Enforcement had obtained from the United States Postal Service. The receipt card was signed by "Carol Spektor."⁵ Respondent did not answer or otherwise respond to the Complaint.⁶

¹ Enforcement's exhibits are labeled CX-1 through CX-18.

² Decl. ¶ 27.

³ *Id.* ¶ 29; CX-5.

⁴ *Id.* ¶ 32.

⁵ *Id.* ¶ 33; CX-9.

⁶ *Id.* ¶ 34.

On January 24, 2011, Enforcement served the Complaint and a Second Notice of Complaint on Respondent by mailing it to Respondent's CRD address and the two alternate addresses.⁷ Enforcement sent the mailings by first-class and certified mail, return receipt requested. The United States Postal Service returned each of the mailings.⁸ To date, Respondent has not answered or otherwise responded to the Complaint.⁹

Based on Respondent's default, the Hearing Officer deemed the allegations in the attached Complaint admitted pursuant to Rules 9215(f) and 9269(a).

III. Findings of Fact and Conclusions of Law

A. Background

Respondent entered the securities industry in December 2003 when he associated with Farmers Financial Solutions, LLC ("Farmers"), a FINRA registered firm. Respondent was registered with FINRA through Farmers as an Investment Company and Variable Contracts Products Representative from May 17, 2004, until August 11, 2009.¹⁰ On August 11, 2009, Farmers filed a Uniform Termination Notice for Securities Industry Registration (Form U5) with FINRA, which disclosed that Farmers discharged Respondent on August 4, 2009, because he had misappropriated property and casualty insurance premiums.¹¹ Respondent has not been registered with FINRA since August 11, 2009.¹²

⁷ Decl. ¶ 39; CX-14.

⁸ Decl. ¶¶ 40-43.

⁹ *Id.* ¶ 44.

¹⁰ *Id.* ¶ 4; CX-1, at 4.

¹¹ CX-2, at 2.

¹² Decl. ¶ 6; CX-1.

Enforcement began the investigation that led to the filing of the Complaint in this disciplinary proceeding in March 2010 after FINRA's Central Review Group's Preliminary Investigation Unit reviewed the Form U5 Farmers submitted on Respondent's behalf.¹³

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 Respondent's FINRA registration terminated, and (2) the Complaint charges him with misconduct that occurred while he was associated with a FINRA registered firm, and with failing to respond to Enforcement's requests for information made during the two-year period following the termination of his FINRA registration.¹⁴

C. Conversion

The First Cause of Action alleges that, between April 2009 and July 2009, Respondent converted \$2,296.34 in insurance premium payments made by four customers of Farmers Insurance Group ("FIG"), an affiliate of Farmers. During the relevant period, Respondent was employed as an independent contractor with both Farmers and FIG.¹⁵ The Complaint further alleges that Respondent used the funds he wrongfully obtained for his personal benefit.

The Hearing Officer finds that the foregoing facts establish that Respondent converted insurance premium payments totally \$2,296.34 and thereby violated FINRA Conduct Rule 2010, which requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Rule 2010 is

¹³ Decl. ¶ 7.

¹⁴ 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").

¹⁵ Compl. ¶ 1.

sufficiently broad to encompass any unethical business-related misconduct, regardless of whether it involves a security.¹⁶

D. Failure to Provide Information

The Second Cause of Action alleges that Respondent failed to respond to multiple requests for information that FINRA staff sent to him pursuant to FINRA Rule 8210 between August 20, 2009, and August 3, 2010, in violation of Rules 8210 and 2010.

1. First Rule 8210 Request. On August 20, 2009, FINRA staff sent Respondent a request that he provide a written statement addressing the allegation that he misappropriated insurance premiums belonging to FIG. FINRA staff sent the request to Respondent at his CRD address. Respondent did not respond to this request.¹⁷

2. Second Rule 8210 Request. On October 19, 2009, FINRA staff sent Respondent a second request that he provide a written statement addressing the allegation that he misappropriated insurance premiums belonging to FIG. FINRA staff sent the request to Respondent at his CRD address. Respondent did not respond to this request.¹⁸

3. Third Rule 8210 Request. On April 13, 2010, FINRA staff sent Respondent a request that he appear and provide testimony at FINRA's offices on April 27, 2010. FINRA staff sent the request to Respondent at his CRD address. Respondent did not respond to this request. The United States Postal Service delivered the request on April 16, 2010, at a forwarding address.¹⁹

¹⁶ *Department of Enforcement v. Saad*, 2009 FINRA Discip. LEXIS 29, at *11 (N.A.C. Oct. 6, 2009) (finding that a registered person's submission of false expense reimbursement requests and receipts to his broker-dealer violated Rule 2110 (now Rule 2010)).

¹⁷ Decl. ¶ 18(a).

¹⁸ *Id.* ¶ 18(b).

¹⁹ *Id.* ¶ 18(d).

4. Fourth Rule 8210 Request. On April 28, 2010, FINRA staff sent Respondent another request that he appear and provide testimony regarding the investigation into his alleged misappropriation of insurance premiums. FINRA staff sent the request to Respondent at his CRD address. Respondent did not respond to this request.²⁰

5. Fifth Rule 8210 Request. On May 20, 2010, FINRA staff sent Respondent a request that he appear and provide testimony at FINRA's offices on June 3, 2010. FINRA staff sent the request to Respondent at the forwarding address supplied by the United States Postal Service. Respondent did not respond to this request.²¹

6. Sixth Rule 8210 Request. On July 20, 2010, FINRA staff sent Respondent a request that he appear and provide testimony at FINRA's offices on August 3, 2010. FINRA staff sent the request to Respondent at an address it obtained from LEXIS.com. Respondent did not respond to this request.²²

The facts alleged in the Second Cause of Action establish that Respondent violated FINRA Rules 8210 and 2010 by failing to respond to the staff's requests for information.

IV. Sanctions

The FINRA Sanction Guidelines state that a bar is the standard sanction for conversion and for a complete failure to respond to a Rule 8210 request for information.²³ The Hearing Officer finds that a bar is the appropriate sanction in this case. There are no mitigating factors that would warrant consideration of lesser sanctions. Accordingly, the Hearing Officer will bar

²⁰ Decl. ¶ 18(e).

²¹ *Id.* ¶ 18(g).

²² *Id.* ¶ 18(i).

²³ FINRA Sanction Guidelines 33, 36 (2011), www.finra.org/sanctionguidelines.

Respondent from associating with any FINRA member firm in all capacities. Restitution will not be ordered because FIG credited the premium payments to the customers' insurance policies.

V. Order

Respondent is barred from associating with any member firm in any capacity for converting insurance premium payments, in violation of FINRA Conduct Rule 2010, as alleged in the First Cause of Action; and 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.



Andrew H. Perkins
Hearing Officer

Copies to:

Steven M. Spektor (*via overnight courier and first-class mail*)
Steven F. Korostoff, Esq. (*via electronic and first-class mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Steven M. Spektor (CRD No. 4743058),

Respondent

DISCIPLINARY PROCEEDING
No. 20090192254

COMPLAINT

The Department of Enforcement (the "Enforcement") alleges:

SUMMARY

1. During the period from April 2009 to July 2009, Steven M. Spektor ("Spektor"), at the time an independent contractor registered representative employed by Farmers Financial Solutions LLC ("Farmers Financial"), a FINRA registrant, violated FINRA Rule 2010 by misappropriating \$2,296.34 of insurance premiums paid by customers of Farmers Insurance Group ("FIG"), an affiliate of Farmers Financial. Spektor was also an insurance agent for FIG at all times relevant herein. Spektor failed to promptly deposit the customer insurance premiums into FIG's bank account and instead he misappropriated the funds by either depositing the premiums into his own account or keeping the cash payments and using the funds for his own personal benefit.

2. In addition, Spektor violated FINRA Rules 8210 and 2010 by failing to respond to FINRA's requests for information and testimony.

RESPONDENT AND JURISDICTION

3. From May 2004 to August 4th, 2009, Spektor was an independent contractor registered with FINRA at Farmers Financial as an Investment Company and Variable Contracts Products Representative (Series 6) and Agent (Uniform State Law Examination) (Series 63).

4. Farmers Financial filed a Form U-5 ("Uniform Termination Notice for Securities Industry Registration"), dated August 10th, 2009, reporting that FIG found that Spektor misappropriated property and casualty insurance premiums and he was terminated on August 4th, 2009.

5. Spektor remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws, because this Complaint is being filed within two years of the termination of his association with a FINRA registrant.

FIRST CAUSE OF ACTION

Misappropriation of Funds [Violation of FINRA Rule 2010]

6. The Department realleges and incorporates by reference paragraphs 1 – 5, above.

7. FINRA Rule 2010 requires that an associated person, in the conduct of his business, "shall observe high standards of commercial honor and just and equitable principles of trade."

8. During the period April 2009 to July 2009, Spektor misappropriated insurance premium payments made by FIG customers.

9. As an FIG agent, Spektor was required to collect and promptly remit monies due to FIG from its insurance customers. Under FIG procedures, when an agent collects a premium

for insurance business, he is supposed to enter the payment into FIG's automated premium receipt system (the "System"), place the business with one of FIG's insurance companies, and deposit the premium payment into a FIG bank account to which the agent has deposit access.

10. On July 27th, 2010, FIG performed a special internal field audit of Spektor's handling of insurance customer premiums (the "Special Audit") after receiving a complaint initiated on behalf of one of Spektor's insurance customers, FC. During the Special Audit, Spektor admitted in a signed statement to accepting premium payments from four insurance customers and using the check proceeds and cash for his personal benefit during the period April 2009 through July 2009.

Customer FC

11. On or about April 16th, 2009, FC's mortgage servicer issued a \$980.14 check from FC's escrow account for a fire insurance policy premium payment and mailed it to Spektor's office address, per Spektor's request. Rather than depositing the check into FIG's bank account, Spektor deposited the premium check into his own bank account and used the proceeds for his own personal benefit.

12. Subsequently, FC's mortgage servicer received a notice of cancellation of FC's fire insurance policy, and it issued a duplicate premium check mailed directly to and received by FIG, at which time the premium payment was credited to FC's policy. FC's mortgage servicer then complained to FIG that Spektor had failed to reimburse it for the duplicate payment.

Customer JB

13. On or about June 18th, 2009, JB, an insurance customer, made a \$951.20 cash premium payment to Spektor on JB's automobile insurance policy. Although Spektor entered the

payment into the System, he voided it later the same day. Spektor did not deposit the money into FIG's bank account. Spektor used the money for his personal benefit.

14. Subsequently, on or about July 5th, 2009, when JB's automobile insurance policy was about to cancel for non-payment, Spektor entered the payment into the System, and on or about July 22nd, 2009, Spektor remitted the amount of the premium, \$951.20, to FIG's bank account.

Customers DA and PB

15. On or about July 18th, 2009, DA, an insurance customer, made a \$200 cash premium payment to Spektor on her insurance policy. In addition, Spektor accepted a \$165 cash premium payment from PB, another of Spektor's insurance customers, on PB's automobile insurance policy. Spektor used the cash given to him by DA and PB for his own personal benefit.

16. On July 27th, 2009, Spektor entered DA and PB's premium payments into the System, but Spektor failed to remit any of the funds, totaling \$365, to FIG.

17. By virtue of the foregoing conduct, Spektor engaged in misappropriation, and, thus failed to adhere to high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

SECOND CAUSE OF ACTION

Failure to Provide Information and Testimony [Violation of FINRA Rules 8210 and 2010]

18. The Department realleges and incorporates by reference paragraphs 1 – 17, above.

19. FINRA Rule 8210(a) states that "For the purposes of an investigation, complaint, examination or proceeding authorized by the FINRA By-Laws or rules, an Adjudicator or FINRA staff shall have the right to: (1) require a member, person associated with a member, or person subject to FINRA's jurisdiction to provide information orally, in writing, or

electronically...and to testify at a location specified by FINRA staff, under oath or affirmation administered by a court reporter or a notary public if requested, with respect to any matter involved in the investigation, complaint, examination, or proceeding..."

20. On August 20th and October 19th, 2009, Enforcement sent letters to Spektor at his address of record as indicated in the Central Registration Depository (the "CRD Address"), requesting that he submit a written statement regarding this matter on or before September 3rd and November 2nd, 2009, respectively. The letters were sent via certified mail, return receipt requested, with copies by regular first class mail. The August 20th, 2009 letter sent certified mail was signed for by Spektor on August 24th, 2009, and the October 19th, 2009 letter sent certified mail was returned to FINRA marked "Unclaimed." The regular first class mail copies of the letters were not returned to FINRA. FINRA did not receive a response from Spektor to these letters.

21. On April 13th, 2010, Enforcement sent a letter to Spektor at the CRD Address, via certified mail, return receipt requested, with a copy by regular first class mail, requesting that he appear and provide testimony on April 27th, 2010. The U.S. Postal Service reported that the letter sent certified mail was delivered on April 27th, 2010. The copy sent regular first class mail was not returned to FINRA. FINRA did not receive a response from Spektor to this letter.

22. On April 28th, 2010, Enforcement sent an additional letter to Spektor at the CRD Address, via certified mail, return receipt requested, with a copy by regular first class mail, requesting Spektor to appear and provide testimony on May 12th, 2010. The letter sent certified mail was returned to FINRA marked "Unclaimed" and included a new Postal Service address for Spektor (the "Postal Service Address"). The copy of the letter sent regular first class mail was not returned to FINRA. FINRA did not receive a response from Spektor to this letter.

23. On May 20th, 2010, Enforcement sent a letter to the Postal Service address, via certified mail, return receipt requested, with a copy by regular first class mail, requesting Spektor to appear and provide testimony before Enforcement on June 3rd, 2010. The certified letter was returned to FINRA marked "Unclaimed," and the regular first class copy of the letter was not returned to FINRA. FINRA did not receive a response from Spektor to this letter.

24. Enforcement then conducted a Lexis.com People Search and located an additional address for Spektor (the "Lexis Address"). On July 20th, 2010, Enforcement sent a letter to Spektor at the Lexis Address, via certified mail, return receipt requested, with a copy by regular first class mail, requesting that he appear and provide testimony before Enforcement on August 3rd, 2010. FINRA received a signed return receipt of the certified letter reporting that the letter was delivered on July 24th, 2010. The regular first class copy of the letter was not returned to FINRA. FINRA did not receive a response from Spektor to this letter.

25. All of the above correspondence sent by FINRA contained language warning Spektor that his failure to respond as required by FINRA Rule 8210 could result in formal disciplinary action against him.

26. To date, Spektor has not provided a written statement or appeared and testified as requested by Enforcement in this matter.

27. As a result of the conduct described in paragraphs 18 through 26 above, Spektor violated FINRA Rule 8210 and FINRA Rule 2010.

RELIEF REQUESTED

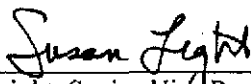
WHEREFORE, the Department respectfully requests that the Panel:

- 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: December 22, 2010



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