

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.

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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

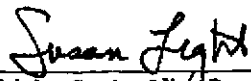
WHEREFORE, the Department respectfully requests that the Panel:

- 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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