

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

V.

**DAVID E. HAEFFELE
(CRD No. 1449276),**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2009019590502**

HEARING OFFICER -- LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: September 24, 2012

INTRODUCTION

Disciplinary Proceeding No. 2009019590502 was filed on September 8, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David E. Haeffele submitted an Offer of Settlement (Offer) to Complainant dated September 5, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent has held a FINRA registration since 1986. He was registered with cfd Investments, Inc. as an Investment Company Products and Variable Contracts Representative (Series 6) from January 30, 1992 until September 10, 2009. On September 10, 2009, cfd filed a Form U5 providing notice that it had terminated Respondent. Respondent is not currently associated with a FINRA member.

Although Respondent has not been associated with a FINRA member firm since September 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 cfd filed a Form U5 providing notice that it had terminated Respondent and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. David E. Haeffele ("Respondent"), while registered with FINRA member cfd Investments, Inc. ("cfd" or "the Firm"), knew but failed to report that his brother, also a cfd representative, converted a substantial amount of money from a Firm customer. Respondent also failed to report to the Firm that he received a phone call from that customer informing him that his brother had misappropriated that customer's funds. Respondent also was aware, but did not

tell the Firm, that his brother was attempting to settle the related customer complaint away from the Firm. Respondent's actions were unethical and inconsistent with the high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

FACTS

2. Between approximately June 1998 and September 2009 ("the relevant period"), Respondent owned Haeffele & Associates, a financial and estate planning firm in Peoria, IL that provided retail brokerage services through cfd. Respondent's brother, John Haeffele ("Respondent's brother"), worked in the same office as a registered representative of cfd selling securities and insurance.
3. Respondent's brother and his brother's wife were co-trustees of a trust created by WP for the benefit of his disabled daughter, MP (the "Trust").
4. During the relevant period, Respondent knew that WP maintained a brokerage account at cfd for the Trust and that his brother served both as the broker of record and trustee.
5. On or about July 21, 2009, WP contacted Respondent by phone to tell him that his brother converted funds from the Trust. WP read to Respondent a letter written by Respondent's brother to WP in which his brother admitted to the conversion. WP then demanded that Respondent and his brother find a way to make the Trust whole.
6. Later that same day, Respondent met with his brother to discuss his telephone call with WP. During the meeting, his brother admitted to Respondent that he had converted a substantial amount of money from the Trust.
7. Soon thereafter, Respondent's brother told Respondent that he was attempting to resolve the matter with WP and WP's attorney and intentionally was not alerting or involving the Firm.

8. In both the Firm's annual questionnaire and in its written supervisory procedures, cfd made it clear that it expected registered representatives to promptly notify the firm of phone calls such as the one Respondent received from WP on July 21, 2009. The annual questionnaire asked, in relevant part, "Have you received any written or verbal customer complaint? If Yes – Did you promptly notify the cfd compliance department of the complaint?" (In the last version which Respondent signed and dated September 19, 2008, he answered "No.")
9. Additionally, the Firm's written supervisory procedures provided in relevant part that "any RR who receives an oral statement of a grievance from a client or prospective client should notify the [Compliance Director] of the same."
10. By virtue of both the annual questionnaire and the Firm's written supervisory procedures, Respondent knew, or should have known, that he was required to report the July 21, 2009 phone call from WP complaining of his brother's conversion of funds from the Trust.
11. Nevertheless, Respondent failed to report to cfd the phone call he had received on July 21, 2009 from WP complaining of his brother's conversion.
12. Also, Respondent failed to disclose to cfd that his brother was attempting to settle the matter away from the Firm when he knew, or should have known, that settling away from a Firm violates FINRA rules and that therefore cfd would want to know about his brother's activities.
13. On or about August 12, 2009, WP's attorney contacted cfd's Chief Compliance Officer and told the CCO that Respondent's brother had converted funds from the Trust. The Firm launched an investigation of both Respondent and his brother.
14. During the Firm's investigation, and FINRA's investigation of him, Respondent admitted that he knew that prior to his termination from the Firm, his brother converted funds from the

Trust and had attempted to settle the matter without the Firm's knowledge or involvement. He also admitted to receiving a complaint from WP about his brother's theft. He admitted that he failed to report any of this information to the Firm.

15. After terminating Respondent's brother, cfd permitted Respondent to resign for failing to report the conversion from a customer account to the Firm. Respondent resigned and the Firm filed a U5 on September 10, 2009.
16. Respondent's brother pled guilty in federal court in November 2010 to one count of mail fraud. As part of his plea, he admitted to converting approximately \$375,000 from the Trust and a second trust created by WP. He subsequently was sentenced to serve thirty-three months in prison and ordered to pay \$409,000 in restitution.

SOLE CAUSE OF ACTION

FAILURE TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE

VIOLATION OF FINRA RULE 2010

17. FINRA Rule 2010 requires that members and associated persons observe "high standards of commercial honor and just and equitable principles of trade."
18. Respondent failed to notify the Firm (a) that his brother, a cfd registered representative, had converted cfd customer funds; (b) his brother was attempting to settle the matter away from the Firm; and (c) he had received a customer complaint about his brother's misappropriation.
19. By virtue of the foregoing, Respondent violated FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future

misconduct, and represent a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be

- Fined \$10,000; and
- Suspended for twenty (20) business days from association with any member of FINRA in all capacities.

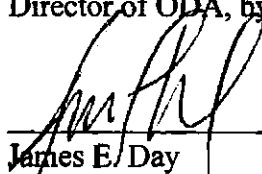
The fine shall be due and payable either immediately upon reassociation with a member firm following the twenty (20) business day suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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