

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

WILLIAM JOHN LIEBL
(CRD No. 5105157),

Respondent.

Disciplinary Proceeding
No. 2009020393901

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

July 28, 2011

Respondent is barred from associating with any FINRA registered firm in any capacity for conversion of customer funds, in violation of NASD Conduct Rule 2110 and FINRA Conduct Rule 2010; and failing to respond to requests for information, in violation of FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010.

Appearances

Daniel D. McClain, Esq., for the Department of Enforcement.

No appearance by or on behalf of William John Liebl.

DECISION

I. Introduction

The FINRA Department of Enforcement (“Enforcement”) filed the attached Complaint with the Office of Hearing Officers on April 11, 2011. The Complaint charges Respondent William John Liebl (“Respondent”), formerly a registered representative with Farmers Financial Solutions, LLC (“Farmers”), with: (1) conversion of customer funds, in violation of NASD Conduct Rule 2110 and FINRA Conduct Rule 2010; and (2) failing to respond to information

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requests issued by FINRA staff, in violation of FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010.¹

Respondent did not answer the Complaint. Accordingly, on July 6, 2011, Enforcement filed a Motion for Entry of Default Decision (“Default Motion”) and four exhibits, including the declaration of Daniel D. McClain, Esq. (“Decl.”).² For the reasons set forth below, the Hearing Officer found Respondent in default and granted Enforcement’s Default Motion.

II. Background and Procedural History

According to Respondent’s record in the Central Registration Depository (“CRD”), he became employed by Farmers in January 2006 and became registered with FINRA as an Investment Company and Variable Contracts Products Representative on February 22, 2006.³ Farmers terminated his employment on November 4, 2009, and FINRA terminated his registration effective November 5, 2009.⁴ Respondent’s Uniform Application for Securities Industry Registration or Transfer (Form U4) discloses that Farmers discharged him for possible mishandling of insurance premiums.⁵

Following receipt of the Uniform Termination Notice for Securities Industry Registration (Form U5) Farmer’s filed in November 2009, Enforcement commenced the investigation that led

¹ On July 26, 2007, the Securities and Exchange Commission approved a proposed rule change that NASD filed seeking to amend its Certificate of Incorporation to reflect its name change to Financial Industry Regulatory Authority, Inc. (“FINRA”), in connection with the consolidation of its member firm regulatory functions with NYSE Regulation, Inc. *See* Securities Exchange Act Rel. No. 56148 (July 26, 2007), 91 SEC Docket 522. Following the consolidation, FINRA began developing a new “Consolidated Rulebook” of FINRA Rules. The first phase of the new consolidated rules became effective on December 15, 2008. *See* Exchange Act Rel. No. 58643 (Sept. 25, 2008), 73 Fed. Reg. 57,174 (Oct. 1, 2008). FINRA’s disciplinary action was instituted after the consolidation of NASD and NYSE, but some of the conduct at issue took place before the consolidated rules took effect. Accordingly, the Hearing Officer applied the conduct rules in effect at the time of the alleged misconduct. In addition, references to FINRA include references to NASD.

² Enforcement’s exhibits are labeled CX-1 through CX-4.

³ CX-2, at 2.

⁴ *Id.*

⁵ *Id.*

to the filing of the Complaint in this proceeding.⁶ On April 11, 2011, Enforcement served the Complaint and the First Notice of Complaint on Respondent by mailing them to him at his most recent residential address recorded in CRD and an alternate address. Enforcement mailed the Complaint and First Notice of Complaint by first-class certified mail, return receipt requested. The United States Postal Service returned the mailings to Enforcement with notations that they were not deliverable as addressed.⁷ Respondent did not answer or otherwise respond to the Complaint by the deadline in the First Notice of Complaint.

On May 13, 2011, Enforcement served a copy of the Complaint and the Second Notice of Complaint on Respondent by mailing them to him at his CRD address and the alternate address.⁸ Enforcement sent the mailings by first-class certified mail, return receipt requested. The United States Postal Service returned the mailings with notations that they could not be delivered as addressed. To date, Respondent has not filed an answer or otherwise responded to the Complaint.

On July 6, 2011, Enforcement filed the Default Motion. Respondent did not file a response.

III. Findings of Fact and Conclusions of Law

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

A. 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 last registration with FINRA terminated, and (2) the Complaint charges him with misconduct

⁶ Decl. ¶ 9.

⁷ *Id.* ¶ 6.

⁸ *Id.* ¶ 7.

that occurred while he was associated with Farmers, a FINRA member 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.⁹

B. Conversion of Customer Funds

The First Cause of Action alleges that Respondent converted a total of \$5,052.09 from seven customers.

On October 3, 2008, LN gave Respondent a check in the amount of \$2,160.99 to pay insurance premiums on a policy LN had purchased through Respondent. Respondent converted the funds to his own use.¹⁰

In April and May 2009, RA gave Respondent two checks totaling \$676.00 to apply to the insurance premiums due on a policy he purchased through Respondent. Respondent cashed the checks and converted the payments to his own use.¹¹

PM established through Respondent a direct debit feature in her account to pay the premiums due on three insurance policies she purchased through Respondent. Respondent used his access to PM's bank account information to print and issue two checks made payable to him dated April 24, 2009. One check was in the amount of \$566.88, and the other check was in the amount of \$289.56, for a total of \$856.44. Respondent cashed the checks and converted the cash to his own use.¹² In addition, Respondent received an insurance premium payment in the amount of \$289.56 from PM on or about June 3, 2009. Instead of using the money to pay her insurance

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 Compl. ¶ 4.

¹¹ *Id.* ¶ 5.

¹² *Id.* ¶ 6.

premium, Respondent converted the funds to his own use.¹³ On or about July 31, 2009, Respondent collected another insurance premium payment from PM in the amount of \$210. Respondent also converted that payment to his own use.¹⁴ In total, Respondent converted \$1,356.00 from PM.

On or before June 30, 2009, HS gave Respondent an insurance premium payment of \$44.20. Instead of using the money to pay HS's insurance premium, Respondent converted the money to his own use.¹⁵

On or before June 30, 2009, DB gave Respondent an insurance premium payment of \$30.70. Instead of using the money to pay DB's insurance premium, Respondent converted the money to his own use.¹⁶

On or before June 30, 2009, CC gave Respondent an insurance premium payment of \$44.20. Instead of using the money to pay CC's insurance premium, Respondent converted the funds to his own use.¹⁷

On September 3, 2009, TE's mother gave Respondent an insurance premium payment of \$740.00 to pay TE's insurance premium. Instead of using the money to pay TE's insurance premium, Respondent converted the money to his own use.¹⁸

Based on the allegations in the Complaint, the Hearing Officer finds that Respondent violated NASD Conduct Rule 2110 and FINRA Conduct Rule 2010.¹⁹ Both rules require FINRA

¹³ Compl. ¶ 7.

¹⁴ *Id.* ¶ 8.

¹⁵ *Id.* ¶ 10.

¹⁶ *Id.* ¶ 11.

¹⁷ *Id.* ¶ 12.

¹⁸ *Id.* ¶ 13.

¹⁹ FINRA Conduct Rule 2010 replaced NASD Conduct Rule 2110 effective December 15, 2008. The rules are identical.

members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

C. Failure to Respond to Written Requests for Information

The Second Cause of Action alleges that Respondent failed to respond to requests for information FINRA staff sent to him pursuant to FINRA Rule 8210 in connection with FINRA's investigation of Respondent's alleged misuse of customer funds. The staff sent the first request to Respondent on December 4, 2009, by first-class and certified mail to Respondent's CRD address. Respondent did not respond to the request.²⁰

On January 13, 2010, FINRA staff sent Respondent a second request for information by first-class and certified mail to his CRD address and an alternate address the staff obtained through LEXIS/NEXIS. Respondent did not respond to the request.²¹

Based on the allegations in the Complaint, the Hearing Officer finds that Respondent violated FINRA Rules 8210 and 2010 by failing to respond to the staff's requests for information.

IV. Sanctions

A. Conversion of Customer Funds

The FINRA Sanction Guidelines ("Sanction Guidelines") for "Conversion or Improper Use of Funds or Securities" state that a bar is standard for conversion, regardless of the amount converted.²² Therefore, Respondent will be barred from associating with any FINRA member firm in any capacity for this violation. The record does not contain any mitigating factors that would warrant a lesser sanction.

²⁰ Compl. ¶¶ 17, 19.

²¹ *Id.* ¶¶ 18-19.

²² FINRA Sanction Guidelines 36 (2011), available at www.finra.org/sanctionguidelines.

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.²³ In assessing sanctions for a failure to respond to a request for information, the Guidelines direct adjudicators to consider the importance of the information requested as viewed from FINRA’s perspective.²⁴

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 information the staff sought was important. The staff was investigating serious misconduct—Respondent’s conversion of customer funds. Accordingly, the Hearing Officer also will bar Respondent from associating with any FINRA member firm in all capacities for this violation.

V. Order

Respondent is barred from associating with any member firm in any capacity for conversion of customer funds, in violation of NASD Conduct Rule 2110 and FINRA Conduct Rule 2010; and for failing to respond to requests for information, in violation of Procedural Rule

²³ Sanction Guidelines 33.

²⁴ *Id.*

8210 and Conduct Rule 2010.²⁵ The bars shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.

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

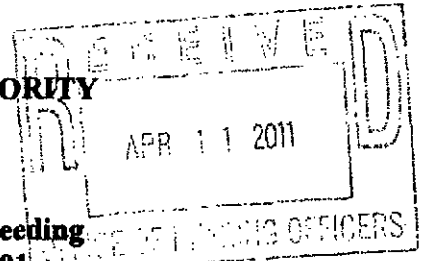
Andrew H. Perkins
Hearing Officer

Copies to:

William John Liebl (*via overnight courier and first-class mail*)
Daniel D. McClain, Esq. (*via electronic and first-class mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

²⁵ Farmers credited the customers with all of the converted funds. Accordingly, the Hearing Officer did not order restitution.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
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v.

WILLIAM JOHN LIEBL,
CRD No. 5105157

Respondent.

**Disciplinary Proceeding
No. 2009020393901**

Hearing Officer: _____

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between October 2008 and September 2009, William J. Liebl misappropriated approximately \$5,052.09 from seven customers who had purchased insurance policies through Liebl. The customers gave Liebl cash and checks to pay for their insurance premiums. Instead of using the money given to him by customers to pay for their insurance premiums, Liebl kept their money for his own use. In misappropriating customer funds for his own use, Liebl violated NASD Rule 2110 and FINRA Rule 2010. In addition, Liebl failed to respond to multiple requests for information and documents from FINRA, thereby violating FINRA Rule 8210 and, by virtue of those violations, FINRA Rule 2010.

RESPONDENT

2. William J. Liebl, CRD# 5105157, was a registered representative associated with Farmers Financial Solutions, LLC from February 2006 until November 4, 2009, when his registration was terminated by Farmers Financial. During that same time

period, Liebl was also an insurance agent for Farmers Insurance Group, an affiliate of Farmers Financial but not a firm registered with FINRA. Since November 4, 2009, Liebl has not been associated with any FINRA-registered firm. FINRA retains jurisdiction over Liebl pursuant to Art. 5, § 4, of the FINRA By-Laws because the conduct that serves as the basis for this action commenced prior to his termination from a member firm and this action is filed within two years after the effective date of his termination from Farmers Financial.

**FIRST CAUSE OF ACTION
CONVERSION OF CUSTOMER FUNDS
VIOLATIONS OF NASD RULE 2110 AND FINRA RULE 2010**

3. Liebl misappropriated a total of approximately \$5,052.09 from seven customers who had purchased insurance policies through Liebl.

Customer LN

4. LN purchased an insurance policy through Liebl. On October 3, 2008, LN provided Liebl with a check in the amount of \$2,160.99, to pay for insurance premiums. Instead of using the money provided to him by LN to pay for her insurance premiums, Liebl converted the \$2,160.99 to his own use.

Customer RA

5. RA purchased an insurance policy through Liebl. In April and May of 2009, RA provided Liebl with two checks totaling \$676.00 to apply to his insurance premiums. RA provided Liebl with a check in the amount of \$315.00 on April 5, 2009, payable to and cashed by Liebl. In addition, RA provided Liebl with a check in the amount of \$361.00 on May 29, 2009, payable to and cashed by Liebl. Instead of using

the money provided to him by RA to pay for his insurance premiums, Liebl converted the \$676.00 to his own use.

Customer PM

6. PM purchased approximately three insurance policies through Liebl and established through Liebl a direct debit in her account to pay for her premiums. In establishing the direct debit account, PM provided Liebl with her bank account information. Liebl used his access to PM's bank account information to print and issue two checks made payable to him and dated April 24, 2009. One check was in the amount of \$566.88 and the other check was in the amount of \$289.56, for a total of \$856.44. He cashed the \$566.88 check on or around July 20, 2009. He cashed the \$289.56 check on or around April 30, 2009.

7. In addition, Liebl collected \$289.56 by check from PM on or around June 3, 2009 to pay for PM's insurance premiums. Instead of using the money provided to him by PM to pay for her insurance premiums, Liebl converted the funds to his own use.

8. Further, Liebl collected \$210 from PM on or around July 31, 2009 to pay for PM's insurance premiums. Instead of using the money provided to him by PM to pay for her insurance premiums, Liebl converted the funds to his own use.

9. In total, Liebl misappropriated approximately \$1,356.00 from PM.

Customer HS

10. HS purchased an insurance policy through Liebl. On or before June 30, 2009, HS provided Liebl with cash in the amount of \$44.20, to pay for insurance premiums. Instead of using the money provided to him by HS to pay for his insurance premiums, Liebl converted the \$44.20 to his own use

Customer DB

11. DB purchased an insurance policy through Liebl. On or before June 30, 2009, DB provided Liebl with cash in the amount of \$30.70, to pay for insurance premiums. Instead of using the money provided to him by DB to pay for her insurance premiums, Liebl converted the \$30.70 to his own use.

Customer CC

12. CC purchased an insurance policy through Liebl. On or before June 30, 2009, CC provided Liebl with cash in the amount of \$44.20, to pay for insurance premiums. Instead of using the money provided to him by CC to pay for her insurance premiums, Liebl converted the funds to his own use.

Customer TE

13. TE purchased an insurance policy through Liebl. On September 3, 2009, TE's mother provided Liebl with \$740.00 in cash to pay for TE's insurance premiums. Instead of using the money provided to him by TE's mother to pay for TE's insurance premiums, Liebl converted the \$740.00 for his own use.

NASD Rule 2110/FINRA Rule 2010

14. On December 15, 2008, NASD Rule 2110 became FINRA Rule 2010. Both NASD Rule 2110 and FINRA Rule 2010 provide that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. "

15. In misappropriating money from LN, Liebl violated NASD Rule 2110. In misappropriating money from RA, PM, HS, DB, CC, and TE, Liebl violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
FAILURE TO RESPOND TO FINRA INVESTIGATIVE REQUESTS
VIOLATION OF FINRA RULES 8210 AND 2010**

16. The allegations set forth in paragraphs 1 through 15 are realleged and incorporated by reference

17. On or about December 4, 2009, FINRA sent a letter to Liebl via certified mail and first-class mail at his last known home address according to the Central Registration Depository (CRD). In the letter, FINRA requested ten items, including a signed statement regarding the allegations of misappropriating client funds, as set forth in his Form U5; copies of all correspondence and memoranda relating to those allegations; and a detailed description of the activity that led to his termination. FINRA issued these requests pursuant to Rule 8210 and requested a response by no later than January 4, 2010. The certified copy was returned to FINRA marked "Return to Sender, Unclaimed, Unable to Forward."

18. On January 13, 2010, FINRA sent a second letter to Liebl via certified mail and first-class mail at two addresses: (1) his last known home address according to CRD; and (2) another potential home address that resulted from a LEXIS/NEXIS search for Liebl (the LEXIS address). The letters enclosed the 8210 requests that were sent by FINRA to Liebl on December 4, 2009. The letters specified that FINRA was sending them pursuant to Rule 8210, and requested a response by January 27, 2010. The certified copy sent to Liebl's CRD address was returned to FINRA marked "Return to Sender, Attempted – Not Know, Unable to Forward," but the first-class copy sent to Liebl's CRD address was not returned. Both the certified copy and first-class copy sent to Liebl's

LEXIS address were returned to FINRA marked "Return to Sender: Liebl, Moved Left No Address, Unable to Forward, Return to Sender."

19. To date, Liebl has not responded in any way to any of FINRA's requests for documents and information.

20. FINRA Rule 8210 requires that members and persons associated with members provide documents and information requested by FINRA in connection with an examination or investigation.

21. By failing to provide documents and information requested by Enforcement pursuant to Rule 8210, Liebl violated FINRA Rule 8210. By virtue of these violations, Liebl also violated FINRA Rule 2010.

PRAYER

WHEREFORE, the Department of Enforcement 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 Liebl bear such costs of the proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- C. impose any other fitting sanction.

Dated:

Respectfully submitted,



Thomas B. Lawson, Vice President and
Chief Counsel

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