

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JEFFREY L. LARSON
(CRD No. 4816797),

Respondent.

DISCIPLINARY PROCEEDING
No. 2010021928801

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent and former World Group Securities, Inc. ("the Firm") representative, Jeffrey L. Larson solicited and obtained \$51,600.00, in the form of checks payable to "W.F.G. Fund" from an elderly individual after representing that she could increase her investment return by depositing the funds in a high interest earnings savings account. In fact, the "W.F.G. Fund" was not a high interest savings account nor was it affiliated with World Financial Group, the Firm's insurance affiliate. It was a basic bank checking account that Larson owned and controlled. During the staff's investigation, Larson also failed to appear for on-the-record testimony that had been requested pursuant to FINRA Rule 2010.

2. This Complaint alleges that: (i) Larson acted unethically and converted funds in violation of FINRA Rule 2010 and (ii) failed to appear for on-the-record testimony in violation of FINRA Rules 8210 and 2010.

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RESPONDENT AND JURISDICTION

3. From July 26, 2004 through April 1, 2010, Larson was associated with FINRA member World Group Securities, Inc. ("the Firm"). Larson was also associated with the Firm's insurance affiliate, World Financial Group (WFG). Larson was registered as an Investment Company Products/Variable Contracts (Series 6) Representative from October 11, 2004 through his April 2010 termination.

4. Although Larson has not been associated with a FINRA member firm since April 1, 2010, 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 appear for on-the-record testimony during the two-year period after the date upon which he ceased to be associated with a FINRA member.

FIRST CAUSE OF ACTION

(Conversion) (FINRA Rule 2010)

5. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 4, above.

6. In January 2009, Larson represented to GC, a 76 year-old widow, that she could earn a higher rate of return by investing her funds in a particular high interest savings account. At the time, GC was not a Firm customer. Based on Larson's recommendation and direction, GC wrote two checks totaling \$51,600.00 payable to the "W.F.G. Fund": the first check, dated January 29, 2009, was in the amount of \$25,600.00; the second check, dated February 23, 2009,

was in the amount of \$26,000.00. GC gave both checks to Larson who, in turn, promptly deposited each check into a "W.F.G. Fund" account at Wells Fargo Bank.

7. Contrary to Larson's representations, the W.F.G. Fund was not a high interest savings account. Moreover, it had no relation to the Firm's affiliate, WFG. It was a basic checking account at Wells Fargo Bank that Larson owned and controlled.

8. Within two weeks of the receipt and deposit of GC's checks, Larson withdrew \$6,000.00 and transferred \$27,800.00 to his day-trading account (at another broker-dealer) and \$17,500.00 to his credit union account.

9. Larson converted GC's funds for his own use and benefit. His deposit of GC's funds into his personal checking account and the subsequent withdrawals and transfers were accomplished without GC's knowledge, consent, or authorization. In February 2010, G.C. complained to FINRA and others about Larson's conduct. The following month, Larson returned G.C.'s funds to her.

10. By reason of the foregoing, Larson acted unethically and violated FINRA Rule 2010.

SECOND CAUSE OF ACTION
(Failure to Appear for On-the-Record Testimony)
(FINRA Rules 8210 and 2010)

11. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 10 above.

First Request

12. In connection with its investigations of (i) Larson's conversion and misuse of GC's funds; (ii) possible unethical conduct arising out of the liquidation of GC's variable annuity in January 2009 and her subsequent purchases of equity indexed annuities in January and June

2009; and (iii) possible misuse or conversion of another individual's funds and additional misrepresentations concerning the purported "W.F.G. Fund", FINRA staff requested, pursuant to Rule 8210, that Larson appear for on-the-record ("OTR") testimony at FINRA's Los Angeles office at 9:00 a.m. on May 27, 2010. The request was sent on May 4, 2010, via first class and certified mail to Larson's CRD Residential Address of record, [REDACTED]
[REDACTED]

13. On May 13, 2010, the staff received a telephone message from an attorney who stated that he represented Larson. On the following day, the attorney spoke to the staff, confirmed that he represented Larson, discussed resolution of the matter through a possible settlement, and stated that he was unable to appear for an OTR on May 27, 2010.

14. On May 21, 2010 the staff sent Larson's counsel an email proposing various alternative dates in June 2010 for Larson's testimony. The staff requested that Larson's counsel respond no later than May 25, 2010.

15. On May 25, 2010, Larson's counsel asked the staff to send a Letter of Acceptance, Waiver and Consent ("AWC") to resolve the matter. On July 9, 2010, the staff sent Larson's counsel a proposed AWC. The accompanying transmittal letter asked that the original signed AWC be returned to the staff no later than July 23, 2010.

16. On July 26, 2010, the staff emailed Larson's counsel and inquired about the status of the proposed AWC and whether he would be representing Larson in connection with a complaint that FINRA had received regarding the possible misuse and/or conversion of another individual's funds. The following day, Larson's counsel emailed that staff stating that he disagreed with the language in the proposed AWC.

Second Request

17. On August 11, 2010, pursuant to Rule 8210, the staff sent a letter, via first class and certified mail to Larson's counsel requesting that Larson appear for an OTR at 9:00 a.m. on August 31, 2010 at FINRA's Los Angeles office.

18. On August 30, 2010, the staff received, via UPS, a two page letter from Larson as well as a copy of the August 11, 2010 letter requesting his appearance for testimony on August 31, 2010. In the letter, Larson stated, among other things, that he "will sign an AWC if it is written where it doesn't seem like [he is] admitting guilt nor accepting a bar." Larson did not appear for his scheduled OTR on August 31, 2010.

Third Request

19. On September 30, 2010, the staff, pursuant to Rule 8210, sent a letter to Larson's counsel requesting that Larson appear for an OTR at 9:00 a.m. on October 19, 2010 at FINRA's Los Angeles District Office. The letter warned that a failure to appear may, by itself, subject Larson to disciplinary action which might include a censure, fine, and/or a bar from associating with any FINRA member firm.

20. Neither Larson nor his attorney responded to the September 30, 2010 letter. Larson failed to appear for his OTR on October 19, 2010.

21. By reason of the foregoing, Larson violated FINRA Rules 8210 and 2010.

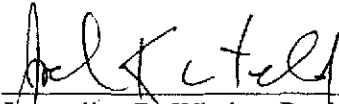
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a) 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; and
- 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: March 31, 2011


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