

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

Department of Enforcement,

Complainant,

v.

Stephen Joseph Kipp (CRD No. 1255862),

and

Julie Ann Pritchard (CRD No. 2960716),

Respondents.

Disciplinary Proceeding
No. 20100227846-01

Hearing Officer – KBW

ORDER ACCEPTING OFFER OF SETTLEMENT

Date: June 22, 2015

INTRODUCTION

Disciplinary Proceeding No. 20100227846-01 was filed on November 13, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Stephen Joseph Kipp (Kipp) submitted an Offer of Settlement (Offer) to Complainant dated June 17, 2015. 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 Amended Complaint, as amended by the Offer of Settlement, 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 Amended Complaint, as amended by the Offer of Settlement, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent Kipp's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Jurisdiction

Respondent Kipp first entered the securities industry when he associated with a FINRA member firm in March 1984. From January 20, 2000 through August 16, 2010, Respondent Kipp was registered as a General Securities Representative (GS) and as a General Securities Principal (GP) with FINRA member firm National Planning Corporation (NPC or the Firm). From August 16, 2010, through the present, Kipp has been registered with FINRA member firm NPB Financial Group, LLC as a GS and GP.

Because Respondent Kipp is currently associated with a FINRA member firm, FINRA has jurisdiction over him for the purposes of this proceeding.

Origin of Disciplinary Action

FINRA member firm NPC received a customer complaint in May 2010 regarding Respondent Kipp's handling of one of his NPC customers' accounts. In the course of

investigating the customer complaint, NPC contacted one of its registered representatives and registered principals, JRB, about his review and approval of the customer's account and transactions in the account. NPC subsequently received a written response from JRB stating that he had reviewed neither the customer's new account form nor the order memoranda relating to the customer's transactions. JRB further advised NPC that the signatures on those documents, purported to be his as registered principal, were not his signatures. NPC's investigation ultimately determined that Respondent Julie Ann Pritchard (Pritchard) had affixed the signatures of Kipp and JRB on documents relating to NPC customers and transactions, including the customer's account in the complaint. NPC's investigation also determined that Respondent Kipp had authorized Pritchard to sign his name, as if it were his own, on documents relating to NPC customers and securities transactions in their accounts.

On August 26, 2010, NPC terminated the registrations and association of Kipp and Pritchard through Form U5 Uniform Termination Notice for Securities Industry Registration (Form U5) filings with FINRA's Central Registration Depository. NPC's Form U5 filings on Kipp and Pritchard resulted in FINRA opening an investigation into the facts and circumstances that led to their terminations from NPC.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

Respondent Kipp, who was then employed by NPC, permitted Pritchard, also registered with NPC, to affix his signature to approximately 160 documents that were intended to become business records of the Firm. The Firm was not informed that Pritchard had placed Kipp's

¹ The findings herein are pursuant to Respondent Kipp's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

signature on these records and, unknowingly, maintained the falsified documents as business records.

During the period from January 30, 2003 through June 10, 2010 (Relevant Period), Pritchard falsified the signatures of two registered representatives of NPC, her employer broker-dealer, on approximately 293 documents intended to be NPC business records and submitted them to NPC without disclosing that she, and not the registered representatives, had signed the documents, which caused the Firm to unknowingly maintain the falsified documents as business records. For approximately 160 of the documents, Pritchard was authorized by Kipp to sign his name.

During the Relevant Period, Pritchard was Kipp's administrative assistant at NPC.

On or before January 30, 2003, Kipp authorized Pritchard to sign his name on some documents related to NPC's business that required his signature.

On July 15, 2005, NPC registered representative and registered principal JRB began working out of the same branch office as Kipp and Pritchard. JRB was registered as both a GS and a GP with NPC.

On January 12, 2006, Pritchard began affixing what purported to be the signature of JRB to documents intended to become NPC business records.

In some instances, JRB's signature that Pritchard affixed to an NPC document was required to evidence review and/or approval by a registered principal of NPC. Pritchard, from time to time, not only signed Kipp's name as registered representative, but also JRB's name as the registered principal on the same document.

First Cause of Action – Falsification of Documents Against Kipp (NASD Conduct Rule 2110 and FINRA Rule 2010)

A registered person's falsification of documents constitutes conduct inconsistent with NASD Conduct Rule 2110's and FINRA Rule 2010's requirement that all individuals associated with a FINRA member firm observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

From January 30, 2003 through June 10, 2010, Pritchard affixed what purported to be Kipp's signature to approximately 160 documents intended to be business records of NPC with Kipp's authorization. The records included, but were not limited to, customer new account forms, order memoranda, applications to purchase variable annuities and subscription agreements for investments; records that are required to be made and preserved under NASD Conduct Rule 3110 and as prescribed by the United States Securities and Exchange Commission Rule 17a-3.² None of these documents bore any notation indicating that Kipp's name had been signed by anyone other than Kipp himself. By authorizing and permitting Pritchard to affix what appeared to be his signature to these documents, Kipp caused the creation of falsified business records.

Kipp did not inform NPC that Pritchard was falsifying his signature on the above-referenced business records. NPC, therefore, was unaware that approximately 160 documents purporting to bear Kipp's authentic signature in fact bore a falsified signature.

During the period from January 12, 2006 through May 29, 2008, Pritchard signed JRB's name to approximately 96 NPC documents where a registered principal of NPC was required to evidence review and/or approval of a document that she had already affixed Kipp's signature as registered representative. The 96 NPC documents were then submitted to NPC for processing. The 96 NPC business records to which Pritchard affixed what purported to be JRB's signature as

registered principal included, but were not limited to, customer new account forms, order memoranda, variable annuity applications, and investment subscription agreements; records that are required to be made and preserved under NASD Conduct Rule 3110 and as prescribed by the United States Securities and Exchange Commission Rule 17a-3.³ None of these 96 documents bore any notation indicating that JRB's name had been signed by anyone other than JRB, and NPC was not informed that anyone other than JRB had signed them. NPC, therefore, was unaware that approximately 96 documents purporting to bear JRB's authentic signature as a registered principal in fact bore a falsified signature.

Based upon the foregoing, Kipp violated NASD Conduct Rule 2110 from January 30, 2003 through December 14, 2008, and FINRA Rule 2010 from December 15, 2008 through June 10, 2010, by allowing Pritchard to falsify his signature on firm business records that are required to be made and preserved under NASD Conduct Rule 3110 and as prescribed by the United States Securities and Exchange Commission Rule 17a-3.⁴

Second Cause of Action – Causing a FINRA Member Firm to Maintain Inaccurate Books and Records Against Kipp (NASD Conduct Rules 2110, 2110 and FINRA Rule 2010)

NASD Conduct Rule 3110 requires each member to, among other things, make and preserve books and records in conformity with all applicable laws, rules and regulations, including FINRA Rules and Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934.⁵

By reason of engaging in the conduct described above, Kipp caused NPC to maintain 160 business records that were inaccurate, in that they falsely appeared to bear Kipp's authentic signature when, in fact, Kipp's signature had been falsified by Pritchard pursuant to Kipp's

² 17 CFR §240.17a-3.

³ 17 CFR §240.17a-3.

⁴ 17 CFR §240.17a-3.

⁵ 17 CFR §240.17a-3 and 17 CFR §240.17a-4, respectively.

authorization. This conduct constituted a violation of NASD Conduct Rules 3110 and 2110 from January 30, 2003 through December 14, 2008, and NASD Conduct Rule 3110 and FINRA Rule 2010 from December 15, 2008 through June 10, 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 Kipp from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

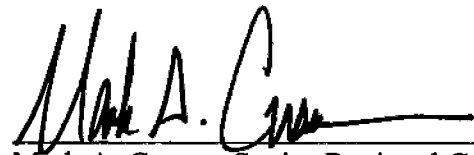
It is ordered that Respondent Kipp be suspended from association with any FINRA member in any capacity for 20 business days and pay an \$8,000 fine.

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

A handwritten signature in black ink, appearing to read "Mark A. Graves", is written over a horizontal line.

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