

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Jeffrey James Frye
CRD No. 1916522,

Respondent.

DISCIPLINARY PROCEEDING
No. 20100248136

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In June 2010 (the "Relevant Period"), while associated as a registered representative with Thrivent Investment Management, Inc. ("Thrivent" or the "Firm"), Jeffrey James Frye ("Respondent") falsified customer account records by changing or causing a customer's address and telephone number listed on the Firm's books and records to be changed to his residential address and telephone number and, attempted to convert funds belonging to the customer. Respondent also failed to comply with requests by FINRA for information.
2. By virtue of this conduct, Respondent violated NASD Conduct Rule 3110, FINRA Conduct Rule 2010 and FINRA Procedural Rule 8210.

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RESPONDENT AND JURISDICTION

3. Respondent entered the securities industry in January 1989 with a FINRA regulated entity and was approved as a registered representative in January 1989.
4. From January 1989 to July 2002, Respondent was associated as a registered representative with FINRA regulated entities. In July 2002, Respondent became associated with Thrivent as a registered representative.
5. On October 26, 2010, Thrivent filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting the termination of Respondent's association with the firm on October 15, 2010. Among other things, the Form U5 reported that Respondent changed a customer's address to his own residential address without the customer's knowledge or authorization and then requested unauthorized withdrawals or loans from the same customer's whole life insurance contract for his personal benefit.
6. Since the termination of his employment with Thrivent, Respondent has not been associated with a FINRA regulated entity.
7. Although Respondent has not been associated with a FINRA regulated entity since October 15, 2010, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, in that the misconduct occurred while Respondent was associated with a FINRA regulated entity and the Complaint was filed within two years after the date upon which Respondent ceased to be associated with a FINRA regulated entity.
8. In addition, the Complaint charges Respondent with failing to respond to FINRA requests for information and testimony, during the two-year period after the date upon which Respondent ceased to be associated with a FINRA regulated entity.

**FIRST CAUSE OF ACTION
FALSIFICATION OF CUSTOMER ACCOUNT RECORDS
FINRA Conduct Rule 2010 and NASD Conduct Rule 3110**

9. Enforcement realleges and incorporates by reference paragraphs 3 through 8 above.
10. During June 2010 (the "Relevant Period"), Respondent worked as a registered representative in Lawrence, Kansas.
11. Respondent serviced the securities account of SM, his elderly mother-in-law.
12. On or about June 1, 2010, Respondent changed or caused SM's address of record at the Firm to be changed to Respondent's residential address reflected in Central Registration Depository, [REDACTED] (the "CRD Address"), without SM's knowledge or authorization.
13. Respondent also caused SM's telephone number of record at the Firm to be changed to Respondent's telephone number, without SM's knowledge or authorization.
14. At the time of these changes, SM's home address was not the CRD Address and SM's telephone number was not the same as Respondent's telephone number.
15. As a result of the foregoing conduct, Respondent violated FINRA Conduct Rule 2010 by falsifying or causing the falsification of customer account records and NASD Rule 3110 by causing the books and records of the Firm to be inaccurate.

**SECOND CAUSE OF ACTION
ATTEMPTED CONVERSION OF CUSTOMER FUNDS
FINRA CONDUCT RULE 2010**

16. Enforcement realleges and incorporates by reference paragraphs 3 through 8 and paragraphs 10 and 11 above.

17. On or about June 2, 2010, Respondent called the Firm's Customer Interaction Center ("CIC") on a recorded telephone line and requested a \$4,500 loan from SM's life insurance contract, without SM's knowledge or authorization.
18. Respondent requested that the Firm electronically transfer the loan proceeds to SM's bank account.
19. On or about June 3, 2010, Respondent called CIC on a recorded line and represented that SM changed her mind about having the loan proceeds electronically transferred to her bank account. Respondent told the CIC representative that SM wanted the electronic transfer reversed and a check for \$4,500 issued.
20. The CIC representative advised Respondent that it would take about 10 days to reverse the electronic transfer and recover the funds before a \$4,500 check could be issued. Respondent confirmed to the representative that the \$4,500 check was to be sent to the CRD Address.
21. On or about June 4, 2010 Respondent called CIC again on a recorded line and told the CIC representative that SM did not want to wait the 10 days that it would take to reverse the electronic transfer and issue a \$4,500 check. Respondent instructed the representative that the request for the \$4,500 check was cancelled and the funds were to be returned to SM's insurance contract. Respondent then requested a new loan of \$4,000 from SM's insurance contract and confirmed that the check be sent to the CRD Address, without SM's knowledge or authorization.
22. On or about June 5, 2010, the Firm mailed a \$4,000 loan check from SM's insurance contract to the CRD Address.

23. On or about June 7, 2010, SM called CIC and, in the process of attempting to authenticate her identity, SM discovered that SM's residential address and telephone number had changed to Respondent's contact information. SM told the CIC representative that her contact information had not changed and she had not authorized Respondent to make changes to her contact information.
24. The CIC representative asked SM if she was aware of the recent loan transactions that had been requested on her insurance contract. SM stated that she was not aware of the loan transactions and had not authorized any loan transaction. The CIC representative placed a request for a stop payment order on the \$4,000 loan check.
25. On or about June 8, 2010, Respondent called CIC on a recorded line, after he received automated service contact reports from SM's June 7, 2010 conversations with CIC. Respondent requested that the CIC representative explain to him why SM had contacted CIC.
26. Respondent told the CIC representative that SM was getting confused about what she wanted and that all loan transactions needed to be reversed. The CIC representative informed Respondent that the Firm's disbursement group would review the loan requests and contact Respondent to discuss the matters.
27. The Firm's disbursement group called Respondent on a recorded line and explained to Respondent that SM had requested that the loan transactions be cancelled and the funds applied back to her insurance contract. The representative also told Respondent that the \$4,000 check was mailed to the CRD Address and that a stop payment order had been placed on the check.

28. As a result of the foregoing conduct, Respondent violated FINRA Rule 2010 by attempting to convert funds belonging to a customer.

**THIRD CAUSE OF ACTION
FAILURE TO COMPLY WITH REQUESTS FOR INFORMATION AND TESTIMONY
FINRA PROCEDURAL RULE 8210 AND FINRA CONDUCT RULE 2010**

29. Enforcement realleges and incorporates by reference paragraphs 3 through 8 above.
30. Respondent failed to provide information and testimony requested pursuant to FINRA Rule 8210.
31. On April 28, 2011, Enforcement sent a letter to Respondent requesting that, pursuant to FINRA Rule 8210, Respondent provide a written statement concerning his conduct while associated with the Firm. The letter was sent by certified mail, return receipt requested and a copy was sent by first class mail to Respondent at the CRD Address.
32. Enforcement received a Domestic Return Receipt for the letter sent by certified mail, return receipt requested, indicating that the letter was delivered at the CRD Address on May 3, 2011. The copy of the letter sent by first class mail to Respondent at the CRD Address was not returned to Enforcement. Respondent failed to provide the requested information to Enforcement by May 3, 2011. Respondent failed to provide the requested information to Enforcement.
33. On May 3, 2011, Enforcement sent a letter to Respondent requesting that, pursuant to FINRA Rule 8210, Respondent appear and provide testimony on May 26, 2011 at Enforcement's office located at 14 Wall Street in New York. The letter was sent by Express Mail and a copy was sent by first class mail to Respondent at the CRD Address.
34. Enforcement obtained a letter from the United States Postal Service ("USPS") for the letter sent to Respondent by Express Mail at the CRD address indicating that Respondent

- signed for the letter on May 4, 2011. The copy of the letter sent by first class mail to Respondent at the CRD Address was not returned to Enforcement.
35. On May 24, 2011, Enforcement received a telephone message from Respondent stating that he would not appear for testimony on May 26, 2011.
 36. On May 26, 2011, Respondent failed to appear and provide the requested testimony.
 37. On May 27, 2011, Enforcement sent two letters to Respondent. One letter requested pursuant that, pursuant to FINRA Rule 8210, Respondent provide a written statement concerning his conduct while associated as a registered representative with the Firm. The other letter requested that, pursuant to FINRA Rule 8210, Respondent appear and provide testimony on June 10, 2011 at Enforcement's office located at 14 Wall Street in New York. The letters were sent by Express Mail and copies were sent by first class mail to Respondent at the CRD Address.
 38. Enforcement obtained letters from the USPS for the letters sent to Respondent by Express Mail at the CRD Address indicating that Respondent signed for the letters on May 28, 2011. The copies of the letters sent by first class mail to Respondent at the CRD Address were not returned to Enforcement. Respondent failed to provide the requested information and failed to appear and provide the requested testimony.
 39. To date, Respondent has failed to provide the requested information and testimony to Enforcement.
 40. Respondent's failure to provide the information and testimony requested by Enforcement has materially impeded the staff's investigation.
 41. Accordingly, Respondent violated FINRA Procedural Rule 8210 and FINRA Conduct Rule 2010 by failing to provide the requested information and testimony.

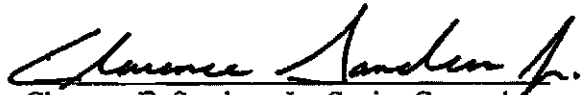
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a).
- 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: September 13, 2011



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