

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

KRYSTAL KAY TAYLOR
(CRD No. 5519277),

Respondent.

Disciplinary Proceeding
No. 2010025100601

Hearing Officer – LBB

DEFAULT DECISION

Dated: February 24, 2012

Respondent Krystal Kay Taylor is barred from associating with any FINRA member firm in any capacity for submitting falsified documents to her firm's insurance affiliate, in violation of FINRA Rule 2010. She is also barred for failing to appear and testify at an on-the-record interview, in violation of FINRA Rules 8210 and 2010.

Appearances

Heather Hawker, Esq., Senior Regional Counsel, Denver, Colorado, for the Department of Enforcement.

No appearance by or for Respondent.

DECISION

The Department of Enforcement ("Enforcement") filed the two-cause Complaint in this disciplinary proceeding on November 8, 2011, charging Respondent Krystal Kay Taylor ("Respondent") with: (1) submitting fictitious life insurance policies to an insurance company affiliate of her broker-dealer, in violation of FINRA Rule 2010; and (2) failing to appear and testify at an on-the-record interview ("OTR"), in violation of FINRA Rules 8210 and 2010.

Despite being properly served with the Complaint, Notice of Complaint, and Second Notice of Complaint, Respondent has not filed an answer to the Complaint. Enforcement filed a

Motion for Entry of Default Decision on January 23, 2012, to which Respondent did not respond. Accordingly, pursuant to FINRA Procedural Rules 9215(f) and 9269, the allegations in the Complaint are deemed admitted and Enforcement's motion is granted.¹

I. Respondent

Respondent entered the securities industry in April 2008, when she was registered through a FINRA member firm. She was associated with FINRA member firm Country Capital Management Company ("Firm") from September 2008 through October 29, 2010, where she was registered as an investment company products and variable contracts representative. Decl. ¶ 5; CX-1. The Firm filed a Form U5 on November 11, 2010, notifying FINRA that Respondent's employment had been terminated on October 29, 2010, for "allegedly submit[ting] false customer information to increase personal production figures." Decl. ¶ 5; CX-3.² Respondent has not been registered with a FINRA member firm since November 11, 2010. Decl. ¶ 6; CX-1, CX-2.

Respondent remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the Complaint was filed within two years after the termination of her registration with a member firm, and it charges her with misconduct while she was associated with a member firm, and with failing to appear at an OTR pursuant to Rule 8210 within two years after the termination of her registration with a member firm.

¹ The factual determinations in this decision are based on the allegations of the attached Complaint and the materials Enforcement filed with its default motion, which includes the Declaration Supporting Motion for Entry of Default Decision, signed by counsel for Enforcement, and supporting documentation that is attached to counsel's declaration. Counsel's declaration is cited herein as "Decl. ¶ ____." The supporting documentation is cited herein as "CX-____."

² FINRA commenced the investigation that led to the Complaint following the Firm's filing of the Form U5. Decl. ¶ 14.

II. Respondent's Default

On November 8, 2011, Enforcement served the Complaint and Notice of Complaint on Respondent at her residential address, as listed in the Central Registration Depository ("CRD address"), by certified and first-class mail. The Notice of Complaint informed Respondent that she was required by FINRA's rules to file an answer by December 6, 2011. Decl. ¶¶ 7, 8; CX-5. The certified mailing was returned to FINRA marked "unclaimed." The first-class mailing was not returned to FINRA. Respondent did not answer or otherwise respond to the Complaint. Decl. ¶ 9; CX-5.

Enforcement served the Complaint and a Second Notice of Complaint on Respondent at her CRD address by certified and first-class mail on December 9, 2011. The Second Notice of Complaint informed Respondent that she was required to answer the Complaint by December 27, 2011. Respondent has not answered or otherwise responded to the Complaint. Decl. ¶¶ 10, 11; CX-6. The certified mailing was returned to FINRA staff by the Postal Service marked "unclaimed." The first-class mailing was not returned. Decl. ¶ 11; CX-6.

Enforcement served the Complaint and the Notices of Complaint on Respondent in accordance with FINRA Procedural Rule 9134, giving her constructive notice of this proceeding. By failing to respond, she defaulted.

III. Violations

A. First Cause of Action: Falsification of Documents, in Violation of FINRA Rule 2010

In July 2010, Respondent submitted whole life insurance applications to the Firm's insurance affiliate, Country Life Insurance Company ("Country Life"), on the lives of J.W. and L.W. According to the insurance application for L.W., she was J.W.'s 15-year-old daughter. Following Respondent's submission of these applications, Country Life required additional

medical information relating to the application for J.W. Respondent then caused J.W.'s application to be voided, thereby avoiding the need to contact J.W. for medical information. The initial premium payment on the policy for L.W. was made by a \$31.02 money order dated July 27, 2010, which was submitted with the application for insurance for L.W. Complaint ¶¶ 7-08. J.W. never met with Respondent to discuss life insurance or complete any life insurance applications, and has no daughter named L.W. Complaint ¶ 9; Decl. ¶¶ 16-17.

In July 2010, Respondent submitted a whole life insurance policy to Country Life for insurance on the life of B.W., an infant child, purportedly completed by A.W., the child's mother. Complaint ¶ 10; Decl. ¶¶ 18, 19. A.W. subsequently informed Country Life that she had no knowledge of the life insurance policy, and did not have a child named B.W. Complaint ¶ 11; Decl. ¶ 20. The premium for the B.W. insurance policy was paid by a money order, in sequential order with the money order for the policy for the nonexistent L.W., purchased on the same day and at the same location as the money order for the policy for the fictitious L.W. Complaint ¶ 13; Decl. ¶ 9.

Respondent received compensation from Country Life for both the L.W. and B.W. insurance policies. Decl. ¶ 21.

FINRA Rule 2010 requires that members "shall observe high standards of commercial honor and just and equitable principles of trade." Falsification of documents is unethical conduct that violates Rule 2010. *Geoffrey Ortiz*, Exchange Act Rel. No. 58416, 2008 SEC LEXIS 2401, at *17 (Aug. 22, 2008). "Falsifying documents is a prime example of misconduct that adversely reflects on a person's ability to comply with regulatory requirements and has been held to be a practice inconsistent with just and equitable principles of trade." *Dep't of Enforcement v. Taylor*, No. C8A050027, 2007 NASD Discip. LEXIS 11, at *22-23 (N.A.C. Feb. 27, 2007). By

submitting the false insurance applications to Country Life, Respondent violated FINRA Rule 2010.

B. Second Cause of Action: Failure to Appear and Testify at an OTR

On May 4, 2011, pursuant to FINRA Rule 8210, FINRA staff sent a letter to Respondent at her CRD address by first-class and certified mail, directing her to appear and testify at an OTR on June 14, 2011. The certified mailing was returned to FINRA with the notation “return to sender – attempted not known – unable to forward.” The first-class mailing was not returned. Complaint ¶ 21; Decl. ¶ 25. Between May 4, 2011, and June 14, 2011, FINRA staff left at least five messages on Respondent’s voicemail, inquiring whether she intended to appear for the OTR on June 14. Respondent did not return any of the staff’s telephone calls. Complaint ¶ 22. Respondent failed to appear for her OTR on June 14, 2011. Complaint ¶ 23.

By failing to appear and testify at her OTR, Respondent violated FINRA Rules 8210 and 2010.

IV. Sanctions

The Sanction Guideline for forgery and falsification of records recommends a suspension of up to two years where mitigating factors exist, and a bar in egregious cases. The principal considerations are: 1) the nature of the document(s) forged or falsified; and 2) whether the respondent had a good-faith, but mistaken, belief of express or implied authority.³ Both principal considerations support a bar. The falsified documents were insurance applications, submitted for the purpose of increasing Respondent’s production numbers and generating commissions for Respondent. It is clear from the nature of the falsification of documents that Respondent’s falsifications were intentional. She could not have believed that she had authority

³ *FINRA Sanction Guidelines* at 37 (2011). The Sanction Guidelines also recommend consideration of a fine, but in light of imposition of the bar, no fine is imposed.

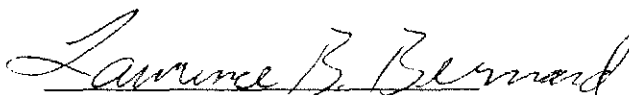
to submit applications for one person who had not requested insurance, or for two fictitious persons. A bar is the appropriate sanction for Respondent's falsification of documents.

A bar is the standard sanction for failure to respond to a request for information.⁴ The principal consideration is the importance of the information requested as viewed from FINRA's perspective. The information sought in the OTR that Respondent failed to attend was important, relating to her falsification of insurance applications for monetary gain. There are no mitigating considerations. A bar is the appropriate sanction.

V. Conclusion

Respondent Krystal Kay Taylor is barred from associating with a FINRA member in any capacity for submitting falsified documents to an insurance company affiliate of her member firm, thereby violating FINRA Rule 2010. Respondent is also barred for failure to appear and testify at an OTR, in violation of FINRA Rules 8210 and 2010.

The bars will be effective immediately if this decision becomes FINRA's final disciplinary action in this proceeding.


Lawrence B. Bernard
Hearing Officer

Copies to: Krystal Kay Taylor (*via overnight courier and first-class mail*)
Heather Hawker, Esq. (*via electronic and first-class mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

⁴ Sanction Guidelines at 33.

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DEPARTMENT OF ENFORCEMENT,	)	Disciplinary Proceeding
	)	No. 2010025100601
Complainant,	)	
	)	Hearing Officer:
v.	)	
	)	COMPLAINT
KRYSTAL KAY TAYLOR,	)	
CRD No. 5519277.	)	
Respondent.	)	
_____	)	

The Department of Enforcement alleges:

SUMMARY

1. Respondent Krystal Kay Taylor submitted fictitious whole life insurance applications to an affiliate of the broker-dealer with which she was associated. Such conduct violated FINRA Rule 2010. Additionally, in violation of FINRA Rules 8210 and 2010, Taylor failed to appear for on-the-record (OTR) testimony.

RESPONDENT AND JURISDICTION

2. Taylor entered the securities industry in April 2008. She was associated with Country Capital Management Company (CCMC) from on or about September 1, 2008 through on or about October 29, 2010, where she was registered as an investment company products and variable contracts representative.

3. Since her termination from CCMC, Taylor has not associated with another member firm. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA has jurisdiction over Taylor for the purposes of this Complaint.

FIRST CAUSE OF ACTION
(Fictitious Insurance Applications/Policies - Violations of FINRA Rule 2010)

4. The Department realleges and incorporates by reference paragraph numbers 1 – 3 above.

5. FINRA commenced its investigation of Taylor following CCMC's filing of a Uniform Termination Notice for Securities Industry Registration (Form U5) on November 11, 2010 disclosing that Taylor was terminated on October 29, 2010 for "allegedly submit[ing] false customer information to increase personal production figures." The Form U5 further provided that the subject misconduct pertained to insurance products.

6. Shortly thereafter, CCMC advised FINRA staff that its affiliate had received a complaint from JW in October 2010 regarding the issuance of a whole life insurance policy on the life of LW. Taylor was the representative who sold the policy.

7. In or about July 2010, Taylor submitted life insurance applications on the lives of JW and LW, purportedly the daughter of JW. After the insurer requested additional medical information relating to JW, Taylor caused JW's application to be voided.

8. The initial premium payment on the policy insuring the life of LW was made by a money order in the amount of \$31.02 dated on or about July 27, 2010.

9. JW never met with Taylor to either discuss life insurance or complete any life insurance applications, and JW has no daughter named LW.

10. During its review of Taylor's business, the affiliate identified another fictitious application submitted by Taylor in or about July 2010 for insurance on the life of an infant child, BW, purportedly completed by the child's mother, AW.

11. After the policy was issued, AW informed the insurer that she had not applied for insurance and did not have an infant child named BW, although she did own a dog of the same name.

12. Like LW's policy, BW's policy's initial premium was paid by money order.

13. The money orders for both LW's and BW's policies bore serial numbers in sequential order, indicating that they were purchased at the same location on the same day.

14. At all relevant times, the affiliate's procedures provided that falsifying information, forging signatures and paying premiums for a customer were prohibited activities.

15. On or about November 8, 2010, the Arizona Department of Insurance (AZDI) was notified of Taylor's termination.

16. In December 2010, Taylor entered into a Consent Order with the AZDI. By executing the Consent Order, Taylor admitted that the findings of fact set forth therein were true.

The admitted findings of fact include, but are not limited to, the following:

- On or about July 16, 2010, Taylor created two fictitious life insurance policies for [JW] and [LW] based on information she received on a prospective client lead card, affixed fictitious signatures to the policy applications and remitted them to [the affiliate] via electronic transmission. [Taylor] remitted only the premium for [LW's] policy to [affiliate] Financial via a Western Union money order #14-092677130 dated July 27, 2010. [Affiliate] paid [Taylor] \$13.65 in commission for this policy.
- On or about July 16, 2010 [Taylor] created a fictitious life insurance policy for [BW] based on information she received on a prospective client lead card, affixed a fictitious signature to the policy application and remitted it to [affiliate] via electronic transmission. [Taylor] remitted the premium for this policy to [affiliate] via a Western Union money order #14-092677131 dated July 27, 2010. [Affiliate] paid [Taylor] \$16.15 in commission for this policy.
- As a result of receiving these fictitious policies, [affiliate] paid respondent \$4,500.00 in additional compensation for which she would not have otherwise been qualified to receive.

17. Under the Consent Order, the AZDI revoked Taylor's insurance license and ordered her to make restitution to the affiliate.

18. In summary, Taylor submitted fictitious life insurance applications for JW, LW and BW. She then received compensation from her firm's affiliate in connection with the policies for LW and BW.

19. The acts, practices and conduct described above constitute separate and distinct violations of FINRA Rule 2010 by Taylor.

SECOND CAUSE OF ACTION
(Failure to Appear for OTR - Violations of FINRA Rules 8210 and 2010)

20. The Department realleges and incorporates by reference paragraph numbers 1-19 above.

21. On May 4, 2011, FINRA staff sent a letter via first class and certified mail to Taylor at her CRD address – [REDACTED] The letter cited FINRA Rule 8210 and provided that Taylor was to appear for an OTR scheduled for 9:00 a.m. on June 14, 2010 at the FINRA Denver District Office located at 4600 S. Syracuse St., Suite 1400, Denver, CO 80237. The certified mailing was returned to FINRA with the notation "return to sender – attempted not known – unable to forward;" the first class mailing was not returned to FINRA.

22. Between May 4, 2011 and June 14, 2011, FINRA staff left at least five messages on Taylor's voice mail inquiring whether she intended to appear for the June 14th OTR. Taylor did not return any of staff's calls.

23. Taylor failed to appear on June 14, 2011 for her OTR as required.

24. The acts, practices and conduct described above constitute separate and distinct violations of FINRA Rules 8210 and 2010 by Taylor.

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), including monetary sanctions, be imposed; and.
- B. Order that Respondent Taylor bear such costs of proceedings as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

Dated: November 8, 2011

FINRA DEPARTMENT OF
ENFORCEMENT



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