

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

Department of Enforcement,

Complainant,

v.

Thomas P. Casper,
CRD No. 2074247,

Respondent.

Disciplinary Proceeding
No. 2010025125101

Hearing Officer LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: Aug. 29, 2012

INTRODUCTION

Disciplinary Proceeding No. 2010025125101 was filed on January 26, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Thomas P. Casper submitted an Offer of Settlement (Offer) to Complainant dated August 15, 2012. 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 Complaint, 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 Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Thomas Casper (CRD No. 2074247) registered with FINRA (then NASD) and began his career in the securities industry in 1990 when he joined PaineWebber. Casper left PaineWebber in 1996. From 1996 to 2004, Casper worked for Dain Raucher. Casper joined Stifel in 2004 and worked in Stifel's branch offices in Brookfield and Oconomowoc, Wisconsin. In November 2010, Casper resigned from Stifel. Casper was registered with Northland Securities, Inc. from November 2010 to December 16, 2011.

Although Casper is no longer associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, § 4 of FINRA's By-Laws of the Corporation, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, namely December 16, 2011, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

A. Casper Borrowed from Customers without Stifel's Pre-approval.

Stifel prohibited its registered employees from borrowing money from customers of Stifel during the relevant period. Section 1.16.7 of Stifel's written supervisory procedures stated:

Registered employees are not permitted to borrow from or lend to customers of Stifel.

...

Exceptions require PRIOR review and approval by Compliance, including loans with family members and any other person or entity.

...

FA's requesting exceptions must complete the *Request for Permission to Enter into a Lending Arrangement with a Relative* form and submit to Compliance prior to effecting the loan arrangement.

Between 2008 and 2010, Casper borrowed money from six customers but received Stifel's pre-approval for only one of those loans.

Four of the seven customer loans were from family members:

- a. LC. In April 2008, Casper borrowed \$6,000 from his mother, LC, without Stifel's pre-approval. Casper borrowed the money to help pay his taxes. Casper repaid the loan in February 2010;
- b. MS. In April 2008, Casper borrowed \$9,000 from his mother-in-law, MS, without Stifel's pre-approval. Casper borrowed the money to help pay his taxes. As of June 2011, Casper had repaid \$3,000 of the loan;
- c. RC. In June 2009, Casper borrowed \$10,000 from his brother, RC, with Stifel's pre-approval. Casper borrowed the money to pay for his mortgage. Casper paid the loan back in February 2010; and
- d. RC. In August 2010, Casper borrowed \$8,600 from RC to repay the loan Casper took from another customer, JC. As of June 2011, Casper had not repaid RC for the August 2010 loan. Casper did not disclose this loan to Stifel until September 2010.

The remaining three loans were from elderly, widowed customers. In each instance, Casper paid no interest, put up no collateral, and provided no definite date for repayment of the

loan. He supplied documentation, in the form of an I.O.U., for only one of the loans. None of the loans were disclosed to Stifel.

The three non-family customers from whom Casper borrowed money were:

- e. AG. Casper borrowed \$2,000 from AG in early 2009 without Stifel's pre-approval. Casper borrowed the money to help cover his mortgage payment. Casper repaid AG by March 2009;
- f. GB. Casper borrowed \$10,000 from GB in May 2009 without Stifel's pre-approval. Casper borrowed the money to help cover marriage counseling costs and a rate increase in his adjustable rate mortgage. Casper repaid GB in November 2010, after he left Stifel; and
- g. JC. Casper borrowed \$5,000 from JC in July 2010 without Stifel's pre-approval. Casper used the loan proceeds to pay for legal fees related to his fourth drunk driving arrest and related rehabilitation costs. At the request of two of JC's friends, Casper provided JC with a signed I.O.U. for the loan. Casper repaid JC in September 2010.

B. Casper Provided False Information to Stifel.

On several occasions, Casper provided false information to Stifel related to the loans.

On May 28, 2009, Casper submitted to Stifel's Compliance Department a *Request for Permission to Enter into a Lending Arrangement with a Relative* form (Loan Permission Form), as required by Stifel's procedures. He disclosed the proposed loan from his brother on the Loan Permission Form but reported that he needed the money for "[h]ome improvement projects and repairs." The actual reason Casper sought to borrow the money was because he was behind on his mortgage.

On May 21, 2010, while GB and MS's loans to Casper were outstanding, Casper completed a Stifel branch audit questionnaire. In response to the question: "Do you have personal loans with clients, family members, or other Stifel employees?" Casper falsely answered "No."

During a compliance review of Casper's email in April 2010, Stifel identified communications from Casper which suggested possible selling away by him in two private companies—VodoModo and Senticare. Stifel investigated, and issued a letter of caution regarding the communications to Casper in July 2010.

At the end of September 2010, Casper disclosed to KL, Casper's branch manager at Stifel at the time, the \$8,600 loan from his brother that he had taken the month before.

At KL's request, Casper submitted a Loan Permission Form dated September 28, 2010. On that form, Casper stated that the \$8,600 loan was needed as for "medical bills." In fact, Casper had used \$5,000 of the \$8,600 to repay the July 2010 loan from JC

In or about October 2010, Stifel conducted a review of Casper's Stifel brokerage account statements. That review revealed deposits of cashier's checks and money orders into Casper's Stifel brokerage accounts and more than \$30,000 in cash withdrawals from ATMs located in and near a local casino for the period 2009 through 2010.

JB, of Stifel's general counsel's office, and KL met with Casper in or about October 2010 and asked him about certain transactions on his Stifel brokerage account statements and requested copies of his bank statements.

During the meeting with KL and JB, Casper was asked about but denied receiving loans from customers. He also refused to provide copies of his bank account statements.

Casper resigned from Stifel on Friday, November 5, 2010.

On or about November 9, 2010, Stifel learned that Casper had borrowed money from GB.

On or about November 11, 2010, Casper told KL that he had received a call from GB during which GB told Casper she had received a call from KL and that she had been confused about the loan. Casper falsely told KL that GB had made a loan to a different broker—not to Casper.

C. Casper Provided False and Misleading Information to FINRA.

On December 9, 2010, FINRA Staff sent Casper a request for information pursuant to FINRA Rule 8210, requiring Casper's response no later than December 16, 2010, that included the following specific requests:

5. A Copy [sic] of all bank and brokerage account statements for accounts owned or controlled by you and [Casper's wife], either individually or jointly during [January 1, 2009 through December 9, 2010].

...

8. A narrative statement describing all loans you received from customers at Stifel, Nicolaus & Company. Your statement should include the identity of the customer who made the loan, the amount of the loan, the date the loan was made, terms of the loan including principal and interest paid, the purpose of the loan, the reason you provided to the customer for needing the loan, whether you disclosed the loan to Stifel Nicolaus. [sic] & Company, and the outstanding balance.

9. All communications between you and any customer identified in your response to item #8 including electronic mail (e-mail), instant messages, letters, facsimiles, notes and/or recordings of memoranda constituting or reflecting any such communications.

Casper responded with a signed letter dated December 14, 2010. In his response, Casper failed to disclose any customer loans. Additionally, Casper failed to produce or specifically address FINRA's request for his bank and brokerage account statements.

In response to FINRA's request numbers 8 and 9, Casper wrote:

8) With respect to FINRA Matter No. 20100251251, and pertaining specifically to VodoModo, Senticare, and/or any other private businesses/entities, I did not receive any loans from customers at Stifel, Nicolaus & Company and or Northland Securities, Inc. as referenced in and in response to item #1 and all subsequent items heretofore.

9) With respect to FINRA Matter No. 20100251251, and pertaining specifically to VodoModo, Senticare, and/or any other private businesses/entities, and regarding the response in item #8, there were no communications between me and any clients identified in response to item #1 and all subsequent items heretofore.

After receiving Casper's 8210 response on December 20, 2010, FINRA Staff called Casper and told him FINRA's request for information about loans was not restricted to loans related to VodoModo, Senticare, or any other entity and again requested the information sought in request numbers 8 and 9.

Casper called KL on December 21, 2010, and explained that he was completing his responses to FINRA's requests and asked KL if Stifel had informed FINRA of the GB loan.

KL told Casper that Stifel had disclosed the existence of the GB loan to FINRA.

After learning FINRA was aware of the GB loan, Casper disclosed the existence of the GB loan to FINRA. He did so in a supplemental response dated December 28, 2010, writing "With respect to question #8, the following clients have loaned me money" and then listed his mother, mother-in-law, brother, and GB.

Regarding GB, Casper added:

[GB], who was a client of mine, loaned my wife and I \$10,000 from her personal banking account in the spring of 2009 to help us out during a financially stressful and difficult time. My wife and I were separated at the time, and were in the midst of a possible divorce and experiencing some financial distress, including an adjustable rate mortgage (ARM) increase and out of pocket costs for advanced marriage counseling. No note was signed as a promise to pay back. There was no interest on this loan. I did not disclose this loan to Stifel Nicolaus, and regret not doing so at the time. I was and am extremely embarrassed by the situation. The loan is paid back in full.

Casper did not disclose the loans from JC or AG in his December 28 supplemental response.

Casper refused to produce his bank records and justified his refusal by arguing that FINRA Staff did not need the records, stating in his December 28 supplemental response that:

... we have provided you (below) with the names and contact info with respect to those who have lent us money with respect to my current and past client base. As such we feel that it is within our rights of privacy to not disclose any more personal banking information going forward.

On March 25, 2011, FINRA Staff had a teleconference with Casper to follow up on Casper's refusal to produce his bank account statements as requested by the Staff's 8210 request dated December 9, 2010. Casper's branch manager at Northland Securities participated in that call. During the call, Casper told the Staff that the GB loan was the only loan he had taken from a customer who was not also a family member.

The Staff sent a second request for Casper's bank account statements, dated March 25, 2011 and issued pursuant to Rule 8210. The deadline for Casper's response was April 11, 2011. On or about April 3, 2011, Casper produced the requested bank account statements.

In a request to Casper dated April 11, 2011 and issued pursuant to Rule 8210, the Staff requested information relating to certain transactions identified in Casper's bank and brokerage statements. Among the transactions identified was a \$5,000 deposit into Casper's credit union account dated July 22, 2010. The deadline for Casper's response was April 25, 2011.

On April 21, 2011, Casper called the Staff and disclosed the JC loan and admitted that the \$5,000 deposit identified by the Staff was the proceeds of the JC loan. Casper followed up his call to the Staff with a letter containing his 8210 response, dated April 21, 2011.

On June 16, 2011, the Staff took Casper's on-the-record testimony and questioned Casper about AG. Casper admitted for the first time, that he had borrowed money from AG in late 2008 or early 2009 when AG was a customer.

FIRST CAUSE OF ACTION
BORROWING FROM CUSTOMERS
VIOLATION OF NASD RULES 2370 AND 2110 AND FINRA RULES 3240 AND 2010

FINRA Rule 3240 and its predecessor NASD Rule 2370¹ prohibit registered persons from borrowing money from their customers except in limited circumstances, and then only if the member firm has written procedures permitting the borrowing.

Stifel prohibited its registered employees from borrowing money from customers of Stifel during the relevant period.

As described above, Casper borrowed money from customers LC, MS, AG, GB, JC, and from his brother RC without Stifel's pre-approval. Those loans were prohibited by Stifel, the member firm with which Casper was associated at the time of the loans.

By borrowing money from his customers LC, MS, AG, GB, JC, and RC, without obtaining Stifel's pre-approval, Casper violated NASD Rule 2370 and FINRA Rule 3240 and, by virtue of those violations, NASD Rule 2110 and FINRA Rule 2010.

SECOND CAUSE OF ACTION
PROVIDING FALSE INFORMATION TO FIRM
VIOLATION OF FINRA RULE 2010

FINRA Rule 2010 requires that "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

As described above, Casper made numerous misrepresentations to Stifel about the loans he received. He misrepresented the reasons for the loans from his brother, falsely denied the existence of loans with customers on the 2010 Stifel audit questionnaire, falsely denied the existence of loans from customers in the 2010 meeting with JB and KL, and provided false

¹ NASD Rule 2370 was superseded by FINRA Rule 3240, effective June 14, 2010. The differences between NASD Rule 2370 and FINRA Rule 3240 are immaterial to this matter.

information to KL regarding the existence and nature of the GB loan. By engaging in this conduct, Casper violated FINRA Rule 2010.

**THIRD CAUSE OF ACTION
PROVIDING FALSE AND MISLEADING INFORMATION TO FINRA
VIOLATION OF FINRA RULES 8210 AND 2010**

FINRA Rule 8210 prohibits persons subject to FINRA's jurisdiction from providing false or misleading information to FINRA in response to a Rule 8210 request for information. An associated person may not limit or place conditions on an 8210 request.

As described above, Casper failed to disclose loans with customers AG, GB, JC, and RC in his response, dated December 14, 2010, to FINRA's 8210 request. Casper also failed to disclose the loans from AG and JC in his 8210 response dated December 28, 2010. Casper disclosed the loan from GB only after he had learned from Stifel that FINRA had already been provided with that information.

By engaging in this conduct, Casper committed numerous violations of FINRA Rule 8210 and, by virtue of those violations, FINRA Rule 2010.

Based on the foregoing, Respondent violated NASD Rules 2370 and 2110 and FINRA Rules 8210, 3240, and 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 from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

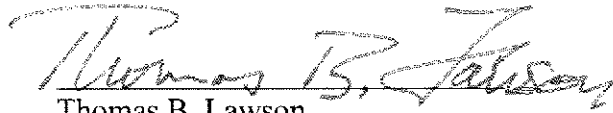
It is ordered that Respondent be barred from associating with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in dark ink, appearing to read "Thomas B. Lawson", is written over a horizontal line.

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