

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GLENN ANDREW SCHWARZKOPF
(CRD No. 2538703),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011027214701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between March 17, 2010 and June 30, 2010, while registered with FINRA as a General Securities Representative ("GSR") through an association with member firm Citigroup Global Markets Inc. (BD No. 7059) ("CGMI"), Respondent Glenn Andrew Schwarzkopf ("Schwarzkopf") received at least \$139,697.23 from customer HB to be invested for HB's benefit. Schwarzkopf used this money to pay his American Express credit card bills.
2. Between June 30, 2010 and May 11, 2011, while registered with FINRA as a GSR through an association with member firm First Allied Securities Inc. (BD No. 32444) ("First Allied"), Schwarzkopf received another \$103,058.94 from customer HB to be invested for HB's benefit. Schwarzkopf did not invest this money per his understanding with HB.
3. Schwarzkopf has violated NASD Conduct Rule 2330 and FINRA Rule 2010.

4. FINRA staff sent three letters to Schwarzkopf requesting information and documents concerning, *inter alia*, Schwarzkopf's dealings with HB. Schwarzkopf did not respond to the letters in violation of FINRA Rules 8210 and 2010.

JURISDICTION

5. From May 29, 2007 through June 30, 2010, Schwarzkopf was registered with FINRA as a GSR through an association with CGMI.
6. From June 30, 2010 through May 11, 2011, Schwarzkopf was registered with FINRA as a GSR through an association with First Allied.
7. On May 11, 2011, First Allied filed a Notice for Securities Industry Registration (Form U5) disclosing that Schwarzkopf was voluntarily terminated.
8. On May 12, 2011, CGMI amended Schwarzkopf's Form U5 to disclose that CGMI had received a written complaint from HB alleging that HB lost \$249,756.17 due to unauthorized withdrawals and activity in HB's accounts by Schwarzkopf.
9. Schwarzkopf is not currently registered with FINRA or associated with any FINRA member firm. He remains subject to FINRA's jurisdiction under Article V, Section 4 of FINRA's By-Laws.

FIRST CAUSE OF ACTION

(Misuse/Conversion of Customer Funds)

Violations of NASD Conduct Rule 2330 and FINRA Rule 2010

10. The Department realleges paragraphs 1 through 9.
11. On October 14, 1994, HB opened a brokerage account with CGMI.
12. In April 1996, HB opened a second brokerage account with CGMI.

13. Since at least January 27, 2004, HB has held a checking account with a bank that was affiliated with CGMI (hereinafter the "Bank").
14. Schwarzkopf worked as a CGMI registered representative inside the Bank branch office located at 2560 Broadway, New York, New York.
15. Schwarzkopf was the registered representative for HB's two CGMI brokerage accounts. On or about December 20, 2007, HB purchased a variable annuity (the "HB VA Account") through one of his CGMI accounts with Schwarzkopf as the registered representative.
16. HB met with Schwarzkopf at the Bank branch office from time to time to discuss investment opportunities and strategies.
17. Schwarzkopf persuaded HB to withdraw funds from the HB VA Account so that Schwarzkopf could invest them for HB elsewhere.
18. The value of the HB VA Account was \$817,784.41 as of December 31, 2009.
19. Beginning on March 15, 2010, the following withdrawals were made from the HB VA Account and deposited in HB's checking account at the Bank:

Withdrawals from the HB VA Account and corresponding deposits into HB's Bank checking account			
Date of withdrawal from HB's VA Account	Amount withdrawn	Date of deposit into HB's checking account	Amount deposited
March 15, 2010	\$93,250	March 16, 2010	\$93,250
April 26, 2010	\$45,000	April 27, 2010	\$45,000
June 2, 2010	\$45,000	June 3, 2010	\$45,000
August 11, 2010	\$110,000	August 16, 2010	\$110,000
Total	\$293,250		\$293,250

20. Beginning on March 17, 2010, the following remittances were made from HB's Bank checking account and the monies were given directly and indirectly to Schwarzkopf.

Remittances from HB's Checking Account		
Date	Amount	Method of Delivery
March 17, 2010	\$64,205.31	Cashier's check from HB's Checking Account payable to American Express – account (ending in 1108) (the "American Express Account").
April 28, 2010	\$44,256.10	Cashier's check from HB's Checking Account payable to the American Express Account.
June 8, 2010	\$31,235.82	Cashier's check from HB's Checking Account payable to the American Express Account.
August 16, 2010	\$88,000.00	HB personal check payable to Schwarzkopf.
Dec. 7, 2010	\$15,058.94	HB personal check payable to Schwarzkopf.
Total	\$242,756.17	

21. The value of the HB VA Account was \$472,367.28 as of December 31, 2010.
22. Schwarzkopf is the owner of the American Express Account.
23. The cashier's checks payable to the American Express Account were issued from the Bank branch office located at 2560 Broadway, New York, New York, where Schwarzkopf worked.
24. HB caused at least \$242,756.17 to be transferred to Schwarzkopf for Schwarzkopf to invest this money for HB.
25. Schwarzkopf did not invest the \$ 242,756.17 as expected by HB.
26. Schwarzkopf used at least \$139,697.23 of the \$242,756.17 to pay his American Express credit card bills.
27. HB did not transfer any money to Schwarzkopf as a loan or a gift.

28. By reason of the foregoing, Schwarzkopf violated NASD Conduct Rule 2330(a) and FINRA Rule 2010.

SECOND CAUSE OF ACTION
(Failure to Respond)
Violations of FINRA Rules 2010 and 8210

29. The Department realleges paragraphs 1 through 28.

April 11, 2011 Letter (First Request)

30. By letter dated April 11, 2011, FINRA staff requested that Schwarzkopf provide, among other things, a signed written statement describing his relationship with HB and HB's transfer of funds to Schwarzkopf. The First Request was issued pursuant to, and in accordance with, FINRA Rule 8210 and required a response by April 21, 2011. The letter was sent by first class mail and certified mail, return receipt requested, to Schwarzkopf's current residential address as reflected on the records of the Central Registration Depository: [REDACTED] (the "CRD Address"). Schwarzkopf was registered through First Allied when this letter was issued to him and a copy of the First Request was sent to First Allied.

31. The first class mailing was returned to FINRA staff stamped "return to sender, attempted -- not known, unable to forward." The certified mailing was returned to FINRA staff stamped "attempted not known, return to sender, not deliverable as addressed, unable to forward."

32. Schwarzkopf did not respond to the First Request.

April 21, 2011 (Second Request)

33. By letter dated April 21, 2011, FINRA Staff sent the Second Request to Schwarzkopf by first class mail and certified mail, return receipt requested, to the CRD Address. The Second Request requested the same items listed in the First Request and enclosed a copy of the First Request. The Second Request required a response by May 5, 2011.
34. In addition, the Second Request was sent by first class mail and certified mail, return receipt requested, to an alternate address: [REDACTED] (the "Alternate Address"), and it was issued pursuant to, and in accordance with, FINRA Rule 8210.
35. The first class mailing for the CRD Address was returned to FINRA staff stamped "return to sender, attempted -- not known, unable to forward." The certified mailing to the CRD Address was returned to FINRA staff stamped "return to sender, not deliverable as addressed, unable to forward." The first class mailing for the Alternate Address was returned to FINRA staff stamped "return to sender, not deliverable as addressed, unable to forward."
36. The certified mailing to the Alternate Address was returned to FINRA staff stamped "return to sender, not deliverable as addressed, unable to forward, attempted not known."
37. Schwarzkopf did not respond to the Second Request. Schwarzkopf was registered through First Allied when this letter was issued to him and a copy of the Second Request was delivered to First Allied.

May 11, 2011 (Third Request)

38. By letter dated May 11, 2011, FINRA Staff sent the Third Request to Schwarzkopf by first class mail and certified mail, return receipt requested, to the CRD Address. The Third

Request requested the same items listed in the First Request and enclosed a copy of the First Request. The Third required a response by May 18, 2011.

39. The Third Request was also sent by first class mail and certified mail, return receipt requested, to the Alternate Address, and it was issued pursuant to, and in accordance with, FINRA Rule 8210.
40. The first class mailing for the CRD Address was returned to FINRA staff stamped "return to sender, attempted – not known, unable to forward." The certified mailing to the CRD Address was returned to FINRA staff stamped "return to sender, attempted – not known." The first class mailing for the Alternate Address was returned to FINRA staff stamped "return to sender, not deliverable as addressed, unable to forward." The certified mailing to the Alternate Address was returned to FINRA staff stamped "return to sender, not deliverable as addressed, unable to forward."
41. Schwarzkopf did not respond to the Third Request.
42. By reason of the foregoing, Schwarzkopf violated FINRA Rules 8210 and 2010.

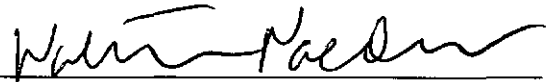
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a), including a bar from association with all members, be imposed;
- B. order that Schwarzkopf 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: April 10, 2012



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