

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

William Bruce Smith (CRD No. 1335193),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011029152401

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent William B. Smith misappropriated \$100,000 from customer S.H. and then provided her with falsified documentation for years to conceal his actions. Through his acts, Smith violated NASD Conduct Rules 2330 and 2110, and FINRA Rule 2010.

RESPONDENT AND JURISDICTION

2. Smith first became registered with FINRA in March 1985 as an Investment Company and Variable Contracts Products Representative. From June 2003 to August 16, 2011, Smith was registered through Triad Advisors, Inc. (Firm) in that capacity and as a Direct Participation Programs Limited Representative, General Securities Representative, and General Securities Principal. Although Smith is no longer registered or associated with a FINRA member, he remains subject to

FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of his registration with the Firm, namely, August 16, 2011; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FIRST CAUSE OF ACTION
Conversion of Customer Funds
(NASD Conduct Rules 2330 and 2110)

3. The Department realleges and incorporates by reference paragraphs 1 - 2 above.
4. S.H. was Smith's customer from 2003 until August 2011, when he was terminated by the Firm. In September 2003, about one month after S.H.'s husband died, Smith advised S.H. to withdraw \$100,000 from her brokerage account at the Firm and to turn the funds over to Smith who was to purchase bank-issued certificates of deposits ("CDs") for her with that money.
5. At Smith's direction, S.H. deposited the \$100,000 which she had withdrawn from her brokerage account into her personal checking account.
6. On September 29, 2003, S.H. drew a check on the account in the amount of \$50,000, payable to a bank, and gave the check to Smith for the purchase of a CD.
7. On October 21, 2003, S.H. drew another check on the account in the amount of \$50,000, payable to another bank, and gave the check to Smith for the purchase of a CD.
8. Smith did not purchase CDs with the funds he received from S.H. Instead, he converted the funds to his own use and benefit by negotiating the two checks,

depositing the funds into the checking account of a company he owned and controlled, and using the funds for his own benefit.

9. By converting customer funds, Smith violated NASD Conduct Rules 2330 and 2110.

SECOND CAUSE OF ACTION

Misrepresentations/Omissions and Falsified Documents (NASD Conduct Rule 2110 and FINRA Rule 2010)

10. The Department realleges and incorporates by reference paragraphs 1 – 9 above.
11. As noted above, Smith never purchased CDs for S.H. Nevertheless, from 2003 to 2011, Smith made oral and written statements to S.H. about the purported CDs, knowing that those statements were materially false and misleading.
12. After taking S.H.'s money for his own use, Smith misled her by saying that he had purchased the CDs for her, that her investments were "doing fine," and that he had "shopped" for the best interest rate each time the CDs matured and then reinvested the proceeds.
13. Moreover, Smith regularly provided S.H. with written "asset reviews" that purported to identify her CD holdings. For example, Smith provided "asset reviews" to S.H. for periods ending December 31, 2008 and June 30, 2011, which each indicated that S.H.'s assets included "Bank CD's" (sic) with a "value" of \$100,000.
14. In 2011, Smith also provided S.H. with a "personal information summary" that purported to identify her CD holdings, including "Bank CDs" worth \$100,000.
15. When Smith provided those documents to S.H., he knew or should have known that they were materially false and misleading.
16. In January 2012, Smith sent a \$25,000 cashier's check to S.H. along with a letter purporting to discuss the "payment arrangement for the loan [to] WBS Companies,

Inc.” (sic). Smith’s letter to S.H. requested her to “confirm” that she made a loan to Smith. This letter was a ruse, falsely representing the \$100,000 investment as a loan. S.H. never agreed to loan money to Smith. S.H. has neither deposited the cashier’s check nor returned the letter agreement to Smith.

17. By misrepresenting and omitting material facts and falsifying documents, Respondent Smith violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and

- C. 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: March 28, 2012


Stuart P. Feldman, Sr. Regional Counsel
John M. D'Amico, Regional Chief Counsel
FINRA Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110
Ph: 617-532-3426 (Feldman)
Fax: 202-721-8398 (Feldman)
Stuart.Feldman@finra.org
John.D'Amico@finra.org