

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

Department of Market Regulation,

Complainant,

v.

Randy J. Schneider (CRD No. 2499925),

Respondent.

Disciplinary Proceeding
No. 20110296760

COMPLAINT

The Department of Market Regulation alleges:

Summary

1. From August 2010 through at least September 2011, Randy J. Schneider (“Schneider”), while registered at a FINRA member firm, made improper use of, and converted, at least \$282,000 in funds and bearer bonds from two elderly customers of his employer firm. Specifically, through fraud and deceit, Schneider misappropriated at least eight checks that were to be deposited into a brokerage account maintained by an elderly customer at Schneider’s FINRA member employer firm, and either cashed those checks or deposited them into his own bank account, and then converted the funds to his own use. In addition, Schneider obtained, through fraud and deceit, bearer bonds from the same elderly customer and another elderly customer of his FINRA member employer firm, deposited the bearer bonds into his own brokerage account, sold the bonds, and then converted the proceeds from the sale of the bonds to his own use.

2. On December 1, 2011, Schneider failed to appear for investigative testimony and failed to produce documents and other information requested by FINRA staff, pursuant to FINRA Rule 8210.

3. As a result of this conduct, Schneider violated FINRA Rules 2150(a), 2010, 2020, and 8210, and willfully violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder.

Respondent and Jurisdiction

4. Schneider first became registered in the securities industry with a FINRA member firm in May 1994. Schneider was employed in the securities industry as a registered representative with four different FINRA member firms from on or about May 1, 1994 until on or about October 18, 2011, when his registration was terminated by the filing of a Form U-5 which disclosed that Schneider was terminated for violating his firm’s policies regarding the handling of customer funds. Schneider was subsequently registered at FINRA member firms from December 5, 2011 through December 16, 2011, and January 17, 2012 through January 23, 2012.

5. Although Schneider 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 Schneider’s registration or association with a FINRA member, namely January 23, 2012, and (2) the Complaint charges Schneider with misconduct committed while he was registered or associated with a FINRA member, and with failing to appear for on-the-record testimony and failing to respond to

FINRA requests for documents and other information during the two-year period after the date upon which he ceased to be associated with a FINRA member firm.

First Cause of Action

Misuse of Customer Funds, Conversion, and Fraud (Violations of and FINRA Rules 2150(a), 2020, and 2010, and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder)

6. The Department of Market Regulation realleges and incorporates by reference all preceding paragraphs.

7. From August 2010 through at least September 2011, Schneider converted approximately \$282,000 in cash and bearer bonds from two elderly customers of his FINRA member employer firm, while he was registered with that firm.

Customer MA(1)

8. Customer MA(1) is 86 years old and a professor at a university in Jersey City, NJ. At all times relevant to this Complaint, Schneider was MA(1)'s assigned registered representative at a FINRA member firm.

9. From March 2011 through at least September 2011, MA(1) delivered at least eight personal checks, each made payable to "cash" and in the total amount of approximately \$39,000, to Schneider, with instructions that each of the checks be deposited into the brokerage account maintained by MA(1) at Schneider's FINRA member firm. The funds from these eight checks were to be used for the purchase of bonds in MA(1)'s brokerage account at a later date. Instead of depositing these checks into MA(1)'s brokerage account, Schneider misappropriated the checks, and either cashed them or deposited the checks into his own bank account, and then converted the funds to his own use.

10. Schneider did not disclose to MA(1) that he misappropriated the checks described above or that, instead of purchasing bonds for MA(1), Schneider converted the funds obtained from those checks to his own personal use. Furthermore, MA(1) did not authorize Schneider to take the eight checks described above, cash the checks, or deposit the proceeds from the checks into Schneider's personal bank account, and MA(1) did not authorize Schneider's conversion of the proceeds of the checks.

11. In addition, from August 2010 through at least June 2011, on four separate occasions, Schneider deposited bearer bonds owned by MA(1) into his own brokerage account, sold the bonds, and converted the proceeds from his sale of the bonds, a total amount of at least \$223,000, to his own personal use. As part of this same conversion scheme, Schneider wired at least \$200,000 of the \$223,000 in converted proceeds to his own personal bank account.

12. Schneider did not disclose to MA(1) that he misappropriated the bearer bonds described above, sold the bonds, or that he converted the proceeds from the sale of the bonds to his own personal use. Furthermore, MA(1) did not authorize Schneider to deposit the bonds described above into Schneider's own brokerage account, sell the bonds, or convert the proceeds from the sale of the bonds to his own personal use.

Customer MA(2)

13. Customer MA(2) is the brother of customer MA(1) and is 80 years old. At all times relevant to this Complaint, Schneider was MA(2)'s assigned registered representative at a FINRA member firm.

14. From May 2011 through at least August 2011, on three separate occasions, MA(2) delivered bearer bonds, with a market value of approximately \$20,000, to Schneider with instructions that he deposit the bearer bonds into MA(2)'s brokerage account. Schneider provided MA(2) with a receipt evidencing his acceptance of the bearer bonds. Instead of maintaining the bearer bonds for MA(2)'s benefit, Schneider sold the bearer bonds and converted the proceeds from the sale of the bonds to his own personal use.

15. Schneider did not disclose to MA(2) that he misappropriated the bearer bonds described above, sold the bonds, or that he converted the proceeds from the sale of the bonds to his own use. Furthermore, MA(2) did not authorize the sale of his bearer bonds by Schneider, or the conversion of the proceeds from the sale of the bonds to Schneider's own personal use.

16. Based on the foregoing conduct, Schneider made improper use of, and converted customer funds and securities, in violation of FINRA Rules 2150(a) and 2010.

17. In addition, Schneider, in connection with the purchase or sale of securities, to wit, bearer bonds and other bonds, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly, employed manipulative or deceptive devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or a course of business which operated or would operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and in violation of FINRA Rules 2020 and 2010.

Second Cause of Action

Failure to Appear for Testimony and Produce Documents (Violations of FINRA Rules 8210 and 2010)

18. The Department of Market Regulation realleges and incorporates by reference all preceding paragraphs.

19. On October 25, 2011, staff from FINRA's Office of Fraud Detection and Market Intelligence ("OFDMI") sent a letter to Schneider, pursuant to FINRA Rule 8210, requiring him to appear for on-the-record testimony at FINRA's offices in Rockville, Maryland on November 3, 2011 ("First Rule 8210 Letter"). Schneider's appearance for testimony was requested as part of OFDMI's investigation into allegations that Schneider fraudulently converted customer funds, and committed other violations of FINRA and SEC Rules. The First 8210 Letter was mailed to Schneider, via certified and first class U.S. mail, to his home address, as reflected in the Central Registration Depository ("CRD"), and a copy of the First 8210 Letter was also sent to Schneider by electronic mail. The First Rule 8210 Letter warned Schneider that failure to appear for testimony could subject him to disciplinary action.

20. On November 2, 2011, Schneider acknowledged receiving the First Rule 8210 Letter, and requested that his testimony be postponed to November 15, 2011, and moved to FINRA's offices in New York, New York, instead of Rockville, Maryland. On November 2, 2011, OFDMI consented to Schneider's request and sent him a letter, pursuant to FINRA Rule 8210, requiring him to appear for testimony at FINRA's offices in New York, New York, on November 15, 2011 ("Second Rule 8210 Letter"). The Second Rule 8210 Letter was mailed to Schneider, via first class U.S. mail, to his home address, as reflected in CRD, and a copy of the letter was also sent to Schneider by electronic mail. The Second Rule 8210

Letter also warned Schneider that failure to appear for testimony could subject him to disciplinary action.

21. On November 4, 2011, OFDMI sent a letter to Schneider, pursuant to FINRA Rule 8210, requiring him to produce documents and other information relating to certain bank accounts maintained by Schneider by November 15, 2011 (“Document Request Letter”). The Document Request Letter was mailed to Schneider, via certified U.S. mail, to his home address, as reflected in CRD, and a copy of the letter was sent to Schneider by electronic mail. The Document Request Letter warned Schneider that failure to produce the requested documents and other information could subject him to disciplinary action.

22. On November 14, 2011, just one day before his rescheduled testimony, Schneider again requested that his testimony be postponed, and told OFDMI staff that he would contact them by November 18, 2011 to provide a date for testimony. On November 15, 2011, OFDMI staff mailed Schneider a letter, via first class U.S. mail, to his home address, as reflected in CRD, consenting to his second request for a postponement of testimony, and agreeing to postpone the date that he must produce the documents and other information requested in the Document Request Letter to the same date that his testimony is rescheduled.

23. Schneider did not contact OFDMI staff about rescheduling his testimony by November 18, 2011, as he had promised to do. On November 21, 2011, OFDMI staff left Schneider a voicemail message on his cellphone requesting that he contact OFDMI staff by later that morning to reschedule a time and place for his testimony. Schneider did not return that voicemail message.

24. On November 23, 2011, OFDMI sent another letter to Schneider, pursuant to FINRA Rule 8210, requiring him to appear for testimony at FINRA's offices in Rockville, Maryland, on December 1, 2011 ("Third Rule 8210 Letter"). The Third Rule 8210 Letter was mailed to Schneider, via certified U.S. mail, to his home address, as reflected in CRD, and a copy of the letter was sent to Schneider by electronic mail. The Third Rule 8210 Letter also warned Schneider that failure to appear for testimony could subject him to disciplinary action.

25. Schneider failed to appear for testimony, as was requested. On December 1, 2011, after waiting approximately 20 minutes for Schneider to appear, OFDMI staff opened the testimony record at 10:20 a.m. EST, and noted on the record that Schneider had failed to appear for testimony. OFDMI staff then placed a telephone call to Schneider at his cell phone number, but he did not answer the call or return a voicemail that OFDMI staff left for him. After waiting for another 15 minutes, OFDMI staff noted on the testimony record that Schneider had failed to appear for testimony and closed the testimony record.

26. Schneider also failed to produce any of the documents and other information requested by OFDMI staff in its Document Request Letter, which were due to be produced by Schneider no later than December 1, 2011.

27. By failing to appear for on-the-record testimony and by failing to provide the documents and other information requested in OFDMI staff's Rule 8210 requests, OFDMI staff was delayed and prevented from pursuing certain significant aspects of its investigation of this matter.

28. Based on the foregoing, Schneider violated FINRA Rules 2010 and 8210 by failing to appear for testimony, and by failing to produce documents and other information that was requested by FINRA staff in connection with its investigation of this matter.

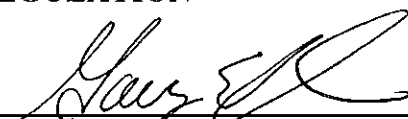
RELIEF REQUESTED

WHEREFORE, Market Regulation respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Schneider committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under Rule 8310(a) be imposed, including that Schneider be required to disgorge all ill-gotten gains and make full and complete restitution, together with interest;
- C. order that Schneider bear such costs of this proceeding as are deemed fair and appropriate under the circumstances in accordance with Rule 8330;
- D. make specific findings that Schneider willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and
- E. grant all further relief, legal or equitable, that is warranted under the circumstances.

FINRA DEPARTMENT OF MARKET REGULATION

June 29, 2012


Robert A. Marchman, Executive Vice President
David E. Rosenstein, Senior Vice President
James J. Nixon, Chief Litigation Counsel
Gary E. Jackson, Counsel
FINRA Department of Market Regulation
9509 Key West Avenue
Rockville, Maryland 20850
Tel. (240) 386-6216
Fax (202) 303-3987
marketreglitigation@finra.org