

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CHRISTOPHER FRANCIS SMITH
(CRD No. 2710455),

Respondent.

Disciplinary Proceeding
No. 2012032715001

Hearing Officer: LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 4, 2013

INTRODUCTION

Disciplinary Proceeding No. 2012032715001 was filed on April 30, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Christopher Francis Smith submitted an Offer of Settlement (Offer) to Complainant dated April 30, 2013. 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

Smith entered the securities industry in September 1997, as an Investment Company Products/Variable Contracts Representative ("IR") with Dreyfus Service Corporation (BD No. 231). From November 2009 until his registration was terminated in May 10, 2012, Smith was registered with FINRA through Chase Investment Services Corp. (BD No. 25574) ("Chase Investment Services" or the "Firm"), as a General Securities Representative. On May 24, 2012, Chase Investment Services' filed an amended Uniform Termination Notice for Securities Industry Registration ("Form U5") for Smith. The Form U5 amendment disclosed that it had concluded an internal review of Smith. The internal review disclosed that Smith had "voluntarily resigned while under review for misappropriating \$19,300 from customer accounts."

Although Smith is not currently 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 the FINRA By-Laws, because the Complaint was filed within two years after the effective date of termination of Smith's registration with a FINRA member, namely, May 10, 2012, and the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member and with failing to respond to FINRA requests for documents and information during the two-year period after the date upon which he ceased to be 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:

SUMMARY

1. From January 29, 2011 through February 7, 2012 (“relevant period”), Respondent violated FINRA Rules 2150(a) and 2010 by converting \$7,000 from a brokerage customer to his personal use, without authority. In addition, Smith converted \$2,300 from the same brokerage customer’s Chase Bank account, in violation of FINRA Rule 2010. Smith also converted \$10,000 in funds from two Chase Bank customers, in violation of FINRA Rule 2010.

2. Additionally, Smith violated FINRA Rules 8210 and 2010 by failing to respond to the staff of the Enforcement Department’s (the “Staff”) requests for documents and information.

FIRST CAUSE OF ACTION Conversion of Brokerage Customer Funds (FINRA Rules 2150(a) and 2010)

3. FINRA Rule 2150(a) prohibits associated persons from making improper use of a customer’s securities or funds.

4. FINRA Rule 2010 provides that associated persons in the conduct of their business shall observe high standards of commercial honor and just and equitable principles of trade.

5. During the relevant period, while registered with Chase Investment Services, Smith improperly used \$9,300 from a Chase Investment Services customer, IC.

6. On January 29, 2011, Smith processed a \$10,000 withdrawal from IC’s brokerage account, without her knowledge or permission, through the use of a cashier’s check. Smith then

deposited that check into IC's Chase Bank checking account, less \$3,500 in cash, which Smith kept for himself.

7. One year later, on January 19, 2012, Smith again processed a \$10,000 withdrawal from IC's other brokerage account, without her knowledge or permission, through the use of a second cashier's check. Smith then deposited the check into IC's Chase Bank checking account, less \$3,500 in cash, which Smith kept for himself.

8. On February 7, 2012, Smith withdrew \$2,300 from IC's Chase Bank checking account without her knowledge or permission in which he kept for himself.

9. The acts, practices, and conduct described in paragraphs 1 to 7 above, constitute violations of FINRA Rules 2150(a) and 2010.

10. The acts, practices, and conduct described in paragraph 8 above, constitutes a violation of FINRA Rule 2010.

SECOND CAUSE OF ACTION
Conversion
(FINRA Rule 2010)

11. FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade.

12. Conversion of customer funds, even if the customer is not a brokerage customer, violates FINRA Rule 2010.

13. During the relevant period, while registered with Chase Investment Services, Smith converted \$10,000 from two Chase Bank customers.

14. On November 30, 2011, Smith withdrew \$7,000 from EB's Chase Bank checking account without her knowledge or permission.

15. EB did not have a Chase Investment Services brokerage account.

16. On January 11, 2012, Smith withdrew \$3,000 from BG's Chase Bank checking account without her knowledge or permission.

17. BG did not have a Chase Investment Services brokerage account.

18. The acts, practices, and conduct described in paragraphs 9 to 15 above, constitute a violation of FINRA Rule 2010.

**THIRD CAUSE OF ACTION
Failure to Respond to Request Letters for Documents and Information
(FINRA Rules 8210 and 2010)**

First Request for Information

19. On August 22, 2012, Enforcement Staff sent Smith a letter (the "First Request") requesting, among other things, information concerning allegations that while registered through Chase, he misappropriated a customer's funds.

20. The First Request was sent, pursuant to, and in accordance with, FINRA Rule 8210. A response was required by September 5, 2012. The First Request was sent by certified mail and U.S. Mail to Smith's Hicksville, New York, address as reflected in the records of the Central Registration Depository (the "CRD Address"). The Request Letter sent by first class mail was not returned. The Request Letter sent by certified mail was delivered on August 28, 2012. Smith did not respond to the First Request.

Second Request for Information

21. On September 10, 2012, Enforcement staff again request that Smith provide the same information requested in the August 22nd Letter (the "Second Request").

22. The Second Request was sent pursuant to, and in accordance with, FINRA Rule 8210. A response was due by September 24, 2012. The Second Request was sent by certified mail and U.S. Mail to the CRD Address. The Request Letter sent by first class mail was not

returned. The Request Letter sent by certified mail was delivered on September 14, 2012. Smith did not respond to Second Request.

23. By failing to respond to request letters for documents and information, Smith violated FINRA Rules 8210 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 association with any FINRA member firm 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 cursive script, appearing to read "Susan Light", is written over a horizontal line.

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