

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041650301**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Paul Anthony Steffany ("Steffany"), Respondent
General Securities Representative
CRD No. 1082262

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Steffany entered the securities industry in October 1982 and has been associated with several FINRA-regulated broker-dealers. In February 1983, Steffany became registered as a Series 7 General Securities Representative.

In June 2007, Steffany became associated with Raymond James & Associates, Inc. (the "Firm"), a FINRA-regulated broker-dealer, as a registered representative. In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated June 20, 2014, the Firm reported that Steffany's association with the Firm was terminated on May 23, 2014 due to Steffany's "violation of company policy" related to "improper endorsements on checks."

In July 2014, Steffany became associated with another FINRA-regulated broker-dealer as a registered representative. FINRA retains jurisdiction over Steffany as he is currently associated with a FINRA-regulated broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Steffany has no disciplinary history in the securities industry.

OVERVIEW

From January 2007 through April 2014, Steffany violated NASD Rule 2330(a), FINRA Rule 2150(a), NASD Rule 2110, and FINRA Rule 2010 by converting funds belonging to his FINRA-regulated broker-dealer employer's customer, an estate with a testamentary trust for which he served as the trustee. Steffany converted the funds by taking from the estate at least \$112,742 purportedly as compensation for serving as the trustee during this period.

From August 2007 through April 2014, Steffany violated NASD Rule 2110 and FINRA Rule 2010 by forging the signature of a co-executor on at least twelve checks made payable to the estate. He subsequently used certain of these funds for his personal use.

FACTS AND VIOLATIVE CONDUCT

Conversion of Customer Funds

Conversion is the intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it. Conversion of customer funds violates NASD Rule 2330(a) and FINRA Rule 2150(a), which prohibit persons associated with a FINRA-regulated broker-dealer from making "improper use" of a customer's funds.¹ Conversion also violates NASD Rule 2110 and FINRA Rule 2010, which require associated persons to observe "high standards of commercial honor and just and equitable principles of trade."²

While associated with the Firm, Steffany served as the trustee of a testamentary trust (the "Trust") established by an estate customer (the "Estate") of his FINRA-regulated broker-dealer employer. The Trust was established for the benefit of the son and grandchildren of the decedent.

Steffany's duties as trustee included paying tax and legal bills, signing tax returns, and distributing funds to the beneficiaries of the Trust. Steffany kept no records of the time he spent on Trust-related matters or the tasks he performed as trustee, but estimated that he spent no more than approximately forty-three hours per year on Trust-related matters.

¹ NASD Rule 2330(a) was superseded by FINRA Rule 2150(a) effective December 14, 2009.

² NASD Rule 2110 was superseded by FINRA Rule 2010 effective December 15, 2008.

The document governing the Trust was silent on the amount of compensation to be paid to the trustee. Steffany determined the amount of his own compensation for serving as trustee. From January 2007 through April 2014, while associated with a FINRA-regulated broker-dealer, Steffany paid himself approximately \$193,900 from funds belonging to the Estate as purported fees for serving as the trustee of the Trust. For example, Steffany paid himself in excess of \$30,000 in 2012, and in excess of \$40,000 in 2013. In 2014, although Steffany resigned as trustee in May of that year, he paid himself in excess of \$40,000. Steffany converted at least \$112,742 in funds belonging to the Estate by paying himself trustee fees that were excessive and inconsistent with the limited nature of his duties as trustee.

Steffany paid himself trustee fees by transferring funds from the Estate's brokerage account at the Firm into a bank account held by the Estate outside of the Firm. Steffany then wrote checks to himself or to "cash" drawn on the Estate's bank account, which he deposited into his personal bank account and used to pay personal expenses such as credit card bills and his mortgage. Steffany arranged for the Estate's bank account statements to be sent to his home address. In doing so, Steffany concealed his misconduct from the Firm.

Although Steffany refunded approximately \$112,742 to the Estate and resigned as trustee, he did not do so until around May 2014, after the Firm commenced an investigation into his administration of the Trust.

By virtue of his aforementioned conduct, Steffany violated NASD Rule 2330(a) (for conduct occurring before December 14, 2009), FINRA Rule 2150(a) (for conduct occurring on or after December 14, 2009), NASD Rule 2110 (for conduct occurring before December 15, 2008), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008).

Forgery

From August 2007 to April 2014, while associated with the Firm, Steffany arranged for 19 checks made payable to the Estate to be issued from the Estate's brokerage account at the Firm. The checks, which totaled \$247,000, were made payable to the Estate in the name of Steffany, who was an executor of the Estate, and a co-executor. Steffany endorsed twelve of these checks, totaling \$170,000, by signing his own name and forging the signature of his co-executor. Steffany endorsed the remaining seven checks "for deposit only."

Steffany deposited the checks into the Estate's bank account held outside of the Firm and used the funds, among other things, to pay for personal expenses such as credit card bills and his mortgage.

By reason of this conduct, Steffany violated NASD Rule 2110 (for conduct occurring before December 15, 2008) and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008).

B. I also consent to the imposition of the following sanctions:

A bar from association with any FINRA-regulated broker-dealer in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule

9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;**
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and**
- C. If accepted:**
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;**
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;**
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and**
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

10/01/2015
Date (mm/dd/yyyy)


Paul Anthony Steffany, Respondent

Reviewed by:


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Accepted by FINRA:

10/8/15
Date

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


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