

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

Department of Enforcement,

Complainant,

v.

Jason Edward Schwartz
CRD No. 2798141,

Respondent.

Disciplinary Proceeding
No. 2017056698601

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From in or around December 2015 through May 2017 (the “relevant period”), while registered with FINRA through member firm AIG Capital Services, Inc. (AIG), Respondent Jason Edward Schwartz converted \$32,400 from AIG by submitting falsified expense reports to the firm seeking reimbursement for expenses he never incurred. For the 2015-2016 and 2016-2017 sports seasons, Schwartz entered into two agreements with a local sports team to pay \$16,000 per season (or \$32,000 total) for the use of a suite at a certain number of games each season. Instead of submitting for reimbursement only the \$32,000 he paid for tickets for those two seasons, Schwartz requested and obtained false invoices inflating the expense and misrepresenting that he had paid the expenses. Using the false invoices, Schwartz requested and received a total of \$64,400 in reimbursements from AIG. He retained and converted the \$32,400 AIG paid him in excess of his actual expenses, returning only part after his misconduct was

discovered. During an on the record interview given pursuant to FINRA Rule 8210, Schwartz provided false and misleading responses to questions from FINRA Staff.

2. As a result of the foregoing, Schwartz converted AIG's funds in violation of FINRA Rule 2010, provided false information to his firm in violation of FINRA Rule 2010, caused the firm to maintain inaccurate books and records concerning the expenses in violation of FINRA Rules 4511 and 2010, and provided false and misleading responses to FINRA in violation of FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

3. Schwartz was first registered as a General Securities Representative through his association with a FINRA member firm in March 1998, and since has been associated with several FINRA member firms.

4. In July 2012, Schwartz became registered with FINRA as a general securities representative through his association with AIG.

5. On December 12, 2017, AIG filed a Form U5 notice of termination reporting that the firm terminated Schwartz for "violation of company policy with regard to expense reimbursement requests, not securities or product related."

6. On February 27, 2018, Schwartz became registered with FINRA as a general securities representative through association with a different FINRA member firm. He has been registered with FINRA through that firm since that time.

7. FINRA possesses jurisdiction over Schwartz pursuant to Article V of FINRA's By-Laws because he currently is registered with FINRA and associated with a FINRA member firm.

FACTS

8. Schwartz worked at all relevant times as a mutual fund wholesaler for AIG. He marketed AIG funds to financial advisors and other retailers.

9. Schwartz was in significant financial distress leading up to and during the relevant period. He regularly incurred insufficient fund fees in his personal checking account. In addition, Schwartz owed \$30,000 for gambling debts, which he was paying back in monthly installments.

10. In the performance of his job, Schwartz regularly incurred travel and entertainment expenses. AIG's Compensation, Gifts, Entertainment and Gratuitous Items Provided to Retail Broker/Dealers policy (AIG Reimbursement Policy) in effect during the relevant period permitted reimbursement of occasional entertainment expenses incurred by wholesalers when entertaining representatives of retailers, up to \$300 per retail representative participating. Under the AIG Reimbursement Policy, Schwartz was required to pay an expense before submitting it for reimbursement, and each expense required proof of payment before AIG would reimburse the expense.

Schwartz Requests Reimbursement of \$17,600 in False Expenses for 2015-16 Season

11. Schwartz signed an agreement with a local sports team (the Sports Team) providing him access to a suite commencing on April 1, 2015, and expiring April 30, 2016 (the First Suite Agreement). The First Suite Agreement entitled Schwartz to a suite to attend twelve mutually agreed upon games during the team's 2015-16 season. For each game, Schwartz received fourteen tickets for individuals to attend the game in the suite. The face value of each individual suite ticket was \$100. The price for the entire package was \$16,000 per the First Suite Agreement.

12. Although the First Suite Agreement included a payment plan dividing the \$16,000 into eight \$2,000 payments, Schwartz did not make payments on the dates provided in the agreement.

13. On December 2, 2015, Schwartz sent an email to the Sports Team asking how much he owed under the First Suite Agreement. In response, consistent with the First Suite Agreement, Individual 1, an employee of the Sports Team, wrote “you owe \$16k total for the package!”

14. In response, Schwartz wrote “Please put together receipts for 15 games. 100 per ticket and valet and parking.”

15. As alleged above, the package cost \$16,000 and included 12 games, with fourteen tickets for each game. Schwartz, however, requested invoices from the Sports Team totaling \$21,000—\$1,400 per game for 15 games—which is \$5,000 more than he agreed to pay for 2015-16 season games pursuant to the First Suite Agreement.

16. The same day, Individual 2, an employee of the Sports Team, sent an email to Schwartz asking how he wanted “to handle payment structure.” In response, Schwartz wrote “This ain’t my first rodeo.... Once I get receipts I will submit one in a few weeks and probably make two payments in jan4k each then 1 feb and March.”

17. The same day, after Schwartz’s email exchange with Individual 2, Individual 1 sent Schwartz fifteen invoices totaling \$21,000. The invoices, however, were not marked “paid.”

18. The next day, on December 3, Schwartz requested that the invoices be marked paid. Specifically, he asked Individual 1 to resend him the invoices, asking for a “new one I could use.” Individual 1 wrote back attaching “corrected” invoices totaling \$21,000. The only

material change to the “corrected invoices” was that all but one now stated that the invoice had been “paid” by Schwartz’s personal credit card.

19. Schwartz, however, had not made any payments to the Sports Team for the 2015-16 season at that time.

20. After receiving the false invoices from the Sports Team, Schwartz began submitting them to AIG for reimbursement under the AIG Reimbursement Policy. Schwartz would generally submit a reimbursement request to AIG a few days following the date of each Sports Team game listed on the false invoice.

21. In January 2016, Schwartz submitted nine invoices to AIG for reimbursement in four separate requests, totaling \$12,600 in purported expenses associated with 2015-16 Sports Team games. Although the invoices submitted for reimbursement by Schwartz were marked “paid” by the Sports Team, as requested by Schwartz, Schwartz had not actually paid the Sports Team anything in January 2016 for 2015-16 season games.

22. Throughout February 2016, Schwartz continued submitting falsified invoices from the Sports Team for 2015-16 games for reimbursement, and AIG continued to pay Schwartz the amounts he requested. Schwartz submitted six more falsified invoices for reimbursement in three separate requests for reimbursement in February 2016.

23. Schwartz’s first payment to the Sports Team under the First Suite Agreement was \$3,000 paid on February 16, 2016—after AIG had already paid Schwartz \$12,600 for purported expenses associated with 2015-16 games.

24. On February 17, 2016, Schwartz wrote to Individual 1 asking her to resend the invoices for the 2015-16 season. She replied the same day, resending the same “corrected” invoices totaling \$21,000 that she had sent on December 2, 2015.

25. On February 22, 2016, Schwartz replied to Individual 1's February 17 email and stated, "I want all of invoices for [Sports Team] games this year *not just mine but every home game.*" (emphasis added). Individual 1 replied the next day sending three emails attaching nine additional \$1,400 invoices that had not been previously sent to Schwartz.

26. On February 26, 2016, Schwartz emailed Individual 1 again about the nine additional invoices (for games that were not included in his Suite Agreement and that he had not paid for), stating, "Some of the receipts don't say paid for and gave [sic] my visa number on it. I need u to have that on all. I am sorry I know it's a pain."

27. On February 26, 2016, Individual 1 responded to Schwartz with nine "corrected" invoices for Sports Team games all stating "PAID: VISA XXXX 7957."

28. As a result, by February 26, 2016, Schwartz had requested and received invoices for twenty-four Sports Team games totaling \$33,600, all marked "PAID" at Schwartz's request, despite Schwartz having only contracted to purchase twelve games during the 2015-16 season under the First Suite Agreement for \$16,000.

29. As of February 26, 2016, Schwartz had only paid the Sports Team \$3,000.

30. Schwartz submitted the nine additional falsified invoices to AIG in six requests for reimbursement in March 2016, for which AIG paid him an additional \$12,600.

31. Accordingly, AIG paid Schwartz a total of \$33,600 for reimbursement of purported expenses associated with 2015-16 season games.

32. Schwartz only paid the Sports Team a total of \$16,000 for the 2015-16 season.

33. However, because Schwartz sought and received reimbursements from AIG totaling \$33,600 using falsified invoices that he requested from the Sports Team—Schwartz was paid \$17,600 more than 2015-16 season games actually cost him.

Schwartz Requests Reimbursement of \$14,800 in False Expenses for 2016-17 Season

34. Schwartz signed an agreement with the Sports Team providing him access to a suite commencing on April 1, 2016, and expiring April 30, 2017 (the “Second Suite Agreement”). Similar to the first one, the Second Suite Agreement entitled Schwartz to use a suite to attend twelve mutually agreed games. For each game, Schwartz received fourteen tickets, the face value of which was \$100 each. The price for the entire package was \$16,000 per the Second Suite Agreement. Although the Second Suite Agreement included a payment plan dividing the \$16,000 into eight \$2,000 payments, Schwartz did not make payments on the dates provided in the agreement.

35. On December 28, 2016, despite the Second Suite Agreement only including twelve games, Individual 1 sent Schwartz twenty-four invoices for twenty-four games, representing every home game for the entire 2016-17 Sports Team season. Each invoice was for \$1,400 and included the legend, “PAID: VISA XXXX 2800,” indicating payment by Schwartz’s personal credit card.

36. Although the invoices were marked paid, Schwartz had not made any payments to the Sports Team in December 2016 for any 2016-17 season games.

37. On December 31, 2016, Schwartz submitted a reimbursement request to AIG for \$2,800 for two 2016-17 season games, attaching in support of his request two of the falsified invoices he received from the Sports Team.

38. In a December 31, 2016, email shortly after Schwartz submitted his reimbursement request, his manager reviewed the expenses and requested that Schwartz “use your corporate credit card for all charges in the future.” In response, Schwartz wrote back “[the ticket] stuff is weird regarding the personal card because that’s how I paid for these tickets every

year do [sic] to the fact it's so many games and I don't want to eat up room on my corporate card since *I had to pay for these prior to season.*" (emphasis added).

39. Schwartz's manager told him he could continue using his personal credit card "if you have to pay in advance for the season." and then approved the expense request.

40. Schwartz, however, was not required to—and he did not—pay for the Sports Team game tickets in advance of the season.

41. On January 5, 2017, AIG paid Schwartz \$2,800 to reimburse him for the expenses he submitted on December 31. Schwartz had still not paid the Sports Team anything for the 2016-17 season.

42. Schwartz submitted twenty more falsified invoices for reimbursement of purported expenses associated with 2016-17 season games in thirteen additional requests for reimbursement between January 2017 and May 2017.

43. Although the invoices submitted for 2016-17 season games falsely stated that Schwartz had already paid the amounts to the Sports Team using his personal credit card, Schwartz only paid the Sports Team after he was reimbursed by AIG.

44. Schwartz paid the team only \$16,000 for tickets to the 2016-17 season games.

45. However, Schwartz sought and received reimbursements from AIG for \$30,800 using falsified invoices for the 2016-17 season.

46. Therefore, Schwartz received from AIG \$14,800 more than 2016-17 season games actually cost him.

Schwartz is Terminated by AIG for Submitting False Expenses for Reimbursement

47. On August 30, 2017, AIG informed Schwartz that the firm was conducting a review of his expense reports. AIG requested he provide information supporting his expenses for

games for the 2015-16 and 2016-17 seasons, including original credit card receipts or cancelled checks showing payment and contracts for those seasons.

48. In response, on September 10, 2017, Schwartz responded by providing credit card receipts evidencing only \$16,000 of payments for each season, or \$32,000 total. He wrote to the firm that \$32,000 was paid on credit cards and \$15,600 was paid in “cash deposits.”

49. In response to AIG’s request for written contracts, Schwartz wrote: “The details and 2015-16 [and 2016-17] agreement[s] of suite tickets/food/parking benefits are included in each game invoice-*no further written agreement*.” (emphasis added).

50. Schwartz failed to disclose to AIG his Suite Agreements for two seasons, affirmatively misrepresenting to AIG that no such agreements existed.

51. The next day, after being asked for receipts, Schwartz provided AIG with thirty-four invoices totaling \$47,600 to support the expenses.

52. When interviewed by AIG, Schwartz claimed that on the day before or day of a game that he wished to attend, he would stop at the team’s facilities and leave a cash deposit of “between four and five hundred dollars.” Schwartz told AIG investigators that his cash deposit would secure a suite for that particular game. After the game, a team employee would send a \$1,400 invoice for the suite.

53. Schwartz had no documents supporting these purported cash payments, but claimed he was able to calculate the \$15,600 in cash transactions by asking his administrative assistant to print out all the invoices for the games that he submitted in Concur and subtracting the credit card payments from the total amount of the invoices.

54. When Schwartz was informed that more invoices were submitted in Concur (forty-six) than his assistant had provided to him (thirty-four), he admitted to AIG that he did not

pay for twelve of the twenty-four games submitted in the 2015-16 season for which he had sought and received reimbursement from AIG.

55. Schwartz initially claimed that the team sent him those invoices by mistake.

56. When AIG pointed out to him that several of those invoices had handwritten names of attendees, Schwartz indicated that those games were complementary.

57. Based on the documentation submitted and Schwartz's inconsistent explanations, AIG concluded that "the requests for reimbursement beyond the \$32,000 he charged to his personal credit card were likely fraudulent."

58. Schwartz agreed to pay back AIG \$16,800.

Schwartz Provides False Information to FINRA during On the Record Testimony

59. On May 8, 2019, Schwartz gave on the record testimony before FINRA staff pursuant to a request made under FINRA Rule 8210.

60. Schwartz initially testified under oath that he did not use cash to pay for entertainment expenses and that he did not pay the Sports Team more than the \$16,000 per season that he agreed to pay pursuant to the Suite Agreements.

61. Later during the same on the record interview, when confronted with evidence that he told AIG he paid \$15,600 in cash to the Sports Team for certain game tickets, Schwartz changed his testimony. He falsely stated that he paid the Sports Team \$15,600 in \$500 to \$600 cash increments prior to certain games.

62. Schwartz testified that he did not withdraw the cash from any accounts, but instead he had "random cash" in his house that he would put in an envelope and personally deliver to the team before games.

63. Schwartz also falsely testified during his on the record testimony before FINRA staff that he did not know why invoices from the Sports Team were marked “PAID,” claiming that the team just sent them that way at the beginning of the year.

64. For the 2015-16 season, Schwartz expressly instructed Sports Team employees to falsely mark the invoices “PAID” and falsely reference his personal credit card as the source of payment. The 2016-17 invoices were subsequently provided to him the same way.

**FIRST CAUSE OF ACTION
(Conversion — FINRA Rule 2010)**

65. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

66. FINRA Rule 2010 requires members and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.” Conversion is an intentional and unauthorized taking of or exercise of ownership over property by one who neither owns the property nor is entitled to possess it.

67. Conversion is inconsistent with high standards of commercial honor and just and equitable principles of trade and, therefore, violates FINRA Rule 2010.

68. From December 2015 through April 2017, Schwartz intentionally submitted or caused to be submitted false expense reports to AIG seeking \$64,400 in reimbursements for Sports Team game tickets. These expense reports falsely stated Schwartz had incurred, and paid for, all of the expenses for which reimbursement was sought.

69. Schwartz, however, incurred, and paid for, expenses totaling \$32,000, not the \$64,400 for which he sought reimbursement.

70. Therefore, AIG paid Schwartz \$32,400 to which Schwartz was not entitled as a direct result of Schwartz’s submission of false expense reports to the firm.

71. As a result of the foregoing, Schwartz converted \$32,400 from AIG in violation of FINRA Rule 2010.

**SECOND CAUSE OF ACTION
(Providing False Information to Member Firm — FINRA Rule 2010)**

72. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

73. FINRA Rule 2010 requires members and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.” Providing false information to a member firm violates FINRA Rule 2010.

74. From December 2015 through April 2017, Schwartz intentionally submitted or caused the submission of false reports to AIG seeking \$64,400 in reimbursement of expenses for Sports Team game tickets that he had purportedly incurred. The reimbursement requests falsely stated Schwartz had incurred, and paid for, all of the expenses for which reimbursement was sought, when in fact, he had not incurred \$32,400 of those expenses and he had not paid for any of the amounts submitted for reimbursement at the time he submitted the reports.

75. In addition, to conceal his misconduct, Schwartz lied to his manager about his payment for these purported expenses. Specifically, while his manager was reviewing one of Schwartz’s false requests for reimbursement, the manager requested that Schwartz use his corporate credit card for all further entertainment expenses. In response, Schwartz falsely told his manager, *“I had to pay for these prior to season.”*

76. As a result of the foregoing, Schwartz violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
(Falsification of Books and Records of the Firm —
FINRA Rules 4511 and 2010)

77. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

78. FINRA Rule 4511 requires members to “make and preserve books and records as required under the FINRA rules, the Exchange Act, and the applicable Exchange Act rules.” Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3(a)(3) thereunder require broker-dealers to maintain current “[l]edger accounts (or other records) reflecting all assets and liabilities, income and expense and capital accounts.” Moreover, the information must be true and correct.

79. By causing his or her firm to make and preserve inaccurate books and records, an associated person violates FINRA Rule 4511.

80. A violation of FINRA Rule 4511 also violates FINRA Rule 2010.

81. By submitting or causing the submission of 27 expense reports supported by false invoices to AIG between December 2015 through April 2017, Schwartz caused AIG to maintain inaccurate books and records.

82. As a result of the foregoing, Schwartz violated FINRA Rules 4511 and 2010.

FOURTH CAUSE OF ACTION
(Providing False Information in Response to FINRA Rule 8210 Requests —
FINRA Rules 8210 and 2010)

83. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

84. FINRA Rule 8210(a)(1) authorizes FINRA, in the course of an investigation, to require persons subject to its jurisdiction to “provide information orally [or] in writing ... with

respect to any matter involved in the investigation....” FINRA Rule 8210(c) requires such persons to provide such information when requested by FINRA.

85. Providing false or misleading information to FINRA violates FINRA Rule 8210 and therefore violates FINRA Rule 2010.

86. As alleged above, during his on-the-record testimony on May 8, 2019, under oath and pursuant to a Rule 8210 request issued by FINRA staff, Schwartz gave false testimony regarding (a) cash payments made to the Sports Team, and (b) why the Sports Team invoices sent to him were marked “Paid,” even though Schwartz had not paid such expenses.

87. During on the record testimony, Schwartz first testified that he never paid the Sports Team in cash for 2015-16 or 2016-17 games. When confronted with his prior statements to AIG investigators that he had paid the Sports Team in cash for certain game tickets, Schwartz then falsely testified that he paid the Sports Team \$15,600 for 2015-16 and 2016-17 season games in \$500 to \$600 cash payments prior to games. Schwartz did not, however, pay the Sports Team in cash for any game tickets for which he sought reimbursement.

88. Schwartz also falsely testified that he did not know why invoices sent to him from the Sports Team were marked “PAID,” claiming that the Sports Team just sent them that way at the beginning of the year.

89. The Sports Team sent him invoices marked “PAID” when he had not yet paid for the tickets in those invoices because, as Schwartz knew, he asked the team to do so.

90. The information described in Paragraphs 87 - 89 was material to FINRA’s investigation. FINRA requested this information to investigate whether Schwartz converted firm funds and caused his firm to create false books and records.

91. As a result of the foregoing, Schwartz violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement 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 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: December 7, 2020



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APPENDIX A

2015-16 Season				
Expense Reimbursements			Payments to Team	
Date Submitted	Report ID	Falsified Amount Reimbursed by AIG (Team Tickets)	Date	Amount
8-Jan-16	724B847473234D45A0C2	\$2,800	16-Feb-16	\$3,000
22-Jan-16	5A458936EBBA4551979E	\$2,800	3-Mar-16	\$2,000
22-Jan-16	54C85C70AFD940758764	\$4,200	4-Mar-16	\$2,000
22-Jan-16	97A826311E0A42089B66	\$2,800	28-Mar-16	\$1,500
19-Feb-16	2C931039C2164E53AD88	\$2,800	28-Mar-16	\$1,500
23-Feb-16	BF6019B4181340699F67	\$2,800	28-Mar-16	\$1,500
23-Feb-16	707CCF48CF7943619378	\$2,800	5-Apr-16	\$1,500
9-Mar-16	0465CD780BC048BFB5BC	\$2,800	25-Apr-16	\$1,500
9-Mar-16	0679A8F501D84E0A854B	\$2,800	26-Apr-16	\$1,500
22-Mar-16	7ED6139BF93F40188DE3	\$1,400		
23-Mar-16	70D40734FAD84A29A316	\$2,800		
31-Mar-16	02FB2675F2254106B179	\$1,400		
31-Mar-16	D93E9FD9DCE64944B2E0	\$1,400		
TOTAL	13 Expense Submissions	\$33,600	9 Payments	\$16,000

2016-17 Season				
Expense Reimbursements			Payments to Team	
Date Submitted	Report ID	Falsified Amount Reimbursed by AIG (Team Tickets)	Date	Amount
31-Dec-16	A85910350BC941C08083	\$2,800	3-Feb-17	\$1,500
9-Jan-17	A060377504D54C6987D9	\$5,600	28-Feb-17	\$500
3-Feb-17	63563A3AB65A4BAAA8CA	\$2,800	1-Mar-17	\$1,000
14-Feb-17	AAF3529732B24E86B3AE	\$5,600	29-Mar-17	\$4,000
23-Feb-17	AEFDED616B164FB790BF	\$1,400	24-Apr-17	\$4,500
21-Mar-17	A4AA4142F04749918863	\$1,400	24-Apr-17	\$4,500
21-Mar-17	AD31F4FCC56E44698050	\$1,400		
21-Mar-17	BDD40FD621A54801877C	\$1,400		
21-Mar-17	9DC3049A523C4A86B2B6	\$1,400		
21-Mar-17	DBFD5054307C4C7683F2	\$1,400		
30-Mar-17	FDCFC08D05F249EF916F	\$1,400		
30-Mar-17	B5662B08EFAA47019186	\$1,400		
30-Mar-17	035291FC12F84ACDBA02	\$1,400		
18-Apr-17	E3AD966EA9BE409CA6F7	\$1,400		
TOTAL	14 Expense Submissions	\$30,800	6 Payments	\$16,000