

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

Department of Enforcement,

Complainant,

v.

Alon Zak
CRD No. 5734529,

Respondent.

Disciplinary Proceeding
No. 2020065349803

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From April 2019 through August 2019, while registered with FINRA member firm Pruco Securities, LLC (Pruco Securities), Respondent Alon Zak created three fictitious life insurance policy applications for two former insurance customers, BM and CM, and then submitted them to Pruco Securities' insurance affiliate. Zak also forged BM's and CM's signatures by electronically affixing their signatures on the applications without their knowledge or consent. As a result, Zak violated FINRA Rule 2010.

2. In July 2019, Zak also forged firm customer AP's signature by electronically affixing her signature on a life insurance policy application without her knowledge or consent. As a result, Zak violated FINRA Rule 2010.

3. In October 2020, in connection with FINRA's investigation of Zak's forgery of signatures on life insurance applications, Zak failed to respond to two requests for information and documents issued pursuant to FINRA Rule 8210. His failure to respond to the requests led to

the initiation of a proceeding against Zak pursuant to FINRA Rule 9552. Zak eventually provided a complete response to the Rule 8210 requests in January 2021—over three months after the deadline to respond had passed and only after he was suspended pursuant to Rule 9552. By failing to respond timely to the Rule 8210 document requests, Zak violated FINRA Rules 8210 and 2010.

4. After Zak responded to the Rule 8210 documents requests, FINRA terminated his suspension and then requested twice, pursuant to Rule 8210, that he provide on-the-record (OTR) testimony. Zak failed to appear for both OTRs. As a result, Zak violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

5. Zak first entered the securities industry in 2009 when he became associated with a FINRA member firm. He subsequently associated with two other FINRA member firms prior to his association with Pruco Securities in June 2018.

6. In June 2018, Zak became registered with FINRA as an Investment Company and Variable Contracts Products Representative through his association with Pruco Securities. While registered with Pruco Securities, Zak also worked as an insurance agent for the firm's insurance affiliate, The Prudential Insurance Co. of America (Prudential Insurance).

7. On January 22, 2020, Pruco Securities filed a Uniform Termination Notice (Form U5) terminating Zak's registration for, among other things, submitting fictitious life insurance applications and non-genuine signatures on electronic life insurance applications, and using an unauthorized electronic signature application.

8. Since the termination of his registration with Pruco Securities, Zak has not been registered with FINRA through, or associated with, any FINRA member firm.

9. Although Zak is no longer registered or associated with a FINRA member firm, 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 January 22, 2020, which was the effective date of termination of Zak's registration with Pruco Securities, and (2) the Complaint charges Zak with misconduct committed while he was registered or associated with a FINRA member firm, and with failing to timely respond to requests for information and documents and for failing to appear for on-the-record testimony during the two-year period after the date on which Zak ceased to be registered or associated with a FINRA member.

FACTS

Zak Falsified Information and also Forged Signatures on Three Fictitious Life Insurance Applications

BM

10. In February 2018, BM purchased a life insurance policy from Zak when Zak was registered with a FINRA member firm prior to his registration with Pruco Securities.

11. At the time BM purchased a life insurance policy from Zak in February 2018, BM was not a customer of either Pruco Securities or Prudential Insurance.

12. BM never purchased an additional life insurance policy from Zak, nor did BM authorize Zak to purchase a life insurance policy other than the policy purchased in February 2018.

13. On April 5, 2019, without BM's knowledge or consent, Zak created and submitted a variable life insurance policy application to Prudential Insurance on behalf of BM. Zak also prepared and submitted an agent's report along with BM's April 2019 application

affirming that Zak saw “the proposed insured during the sales process” and that BM was not a prior client.

14. The April 2019 application contained BM’s incorrect email, home address, and bank account information and stated it was completed in person. The application also listed Zak’s phone number instead of BM’s.

15. Zak forged the information contained on the fictitious variable life insurance application for BM, including electronically affixing BM’s electronic signature on the policy without BM’s knowledge or consent.

16. BM did not meet with Zak in person when the variable life insurance application was completed or at any time during the insurance application process, nor did BM electronically sign any life insurance policy application documents, or authorize Zak to purchase a variable life insurance policy on his behalf in April 2019.

17. Prudential Insurance closed out the April 2019 application for BM without approving it because Prudential Insurance was unable to obtain additional information necessary to complete the application.

18. On August 21, 2019, without BM’s knowledge or consent, Zak created and submitted a separate universal life insurance policy application to Prudential Insurance on behalf of BM. Zak also prepared and submitted an agent’s report along with BM’s August 2019 application affirming that Zak saw “the proposed insured during the sales process” and that BM was not a prior client.

19. As with the April 2019 variable life insurance policy application, the August 2019 life insurance policy application contained BM’s incorrect email and home address and indicated that the application was completed in person.

20. BM did not meet with Zak in person when the universal life insurance application was completed, nor did BM electronically sign any life insurance policy application documents, or authorize Zak to purchase a universal life insurance policy on his behalf in August 2019.

21. Zak forged the information contained on the fictitious universal life insurance application for BM, including affixing BM's electronic signature on the policy without BM's knowledge or consent.

22. Prudential Insurance closed out the August 2019 application for BM without approving it, because Prudential Insurance was unable to obtain additional information necessary to complete the application.

CM

23. CM purchased a life insurance policy from Zak when Zak was registered with a FINRA member firm prior to his registration with Pruco Securities.

24. At the time CM purchased the life insurance policy from Zak, CM was not a customer of either Pruco Securities or its affiliate, Prudential Insurance.

25. CM never purchased an additional life insurance policy from Zak, nor did he authorize Zak to purchase a life insurance policy with either Pruco Securities or its affiliate, Prudential Insurance.

26. On August 23, 2019, without CM's knowledge or consent, Zak created and submitted a fictitious universal life insurance policy application to Prudential Insurance on behalf of CM. Zak also prepared and submitted an agent's report with CM's application affirming that Zak saw "the proposed insured during the sales process" and that CM was not a prior client. The application misspelled CM's first name. The application also falsely identified CM as Zak's

relative, and contained an outdated home address for CM. The application further indicated that it was completed in person.

27. CM and Zak never had any familial relationship. CM did not meet with Zak in person when the application was completed or at any time during the insurance application process. Nor did CM electronically sign any life insurance policy application documents or authorize Zak to purchase a life insurance policy on his behalf.

28. Zak forged the information contained on the fictitious life insurance policy application he created for CM.

29. Zak also forged CM's signature on the application by electronically affixing CM's signature on the policy application without CM's knowledge or consent.

30. Zak withdrew the life insurance policy application for CM and the policy was never issued.

**Zak Forged a Pruco Securities Customer's Signature
on a Life Insurance Application**

AP

31. At all relevant times, AP was a customer of Pruco Securities and Prudential Insurance.

32. AP purchased a life insurance policy from Prudential Insurance in 2014.

33. On July 19, 2019, Zak, without AP's knowledge or consent, submitted a variable life insurance application to Prudential Insurance on behalf of AP. AP's first name was misspelled on the application.

34. Although AP met with Zak in person and was interested in purchasing a life insurance policy, she did not electronically sign any life insurance policy application documents nor did she authorize Zak to sign an application to purchase a life insurance policy on her behalf.

35. Zak forged the information contained on the insurance policy for AP, by affixing AP's electronic signature on the application without AP's knowledge or consent.

36. Prudential Insurance closed out AP's application without approving it because Prudential Insurance was unable to obtain additional information necessary to complete the application.

Zak's Financial Difficulties

37. In August 2019, Zak applied for a loan against his home to pay off \$50,000 in credit card debt.

38. In connection with his loan application, Zak was required to provide bank statements from 2017 and 2018 and an income statement from 2019.

39. On August 28, 2019, Zak emailed the loan company his 2019 income statement from Prudential Insurance and stated, "Also this Friday [August 30, 2019] I will receive a statement that will show \$13,000 more."

40. On August 30, 2019, Zak received approximately \$14,000 in express commissions, including commissions generated from the August 2019 life insurance policy applications for BM and CM.

41. Additionally, in September 2019, Zak applied for a hardship withdrawal from his Prudential Insurance retirement account to pay off delinquent property taxes.

Zak Failed to Timely Respond to Written Requests for Information and Documents

42. On September 29, 2020, FINRA staff sent Zak a request pursuant to FINRA Rule 8210, requesting that Zak provide account statements for his bank, brokerage, and credit card accounts, as well as his 2019 tax returns.

43. FINRA staff sent the September 29, 2020 8210 request to Zak by first class mail and certified mail at his residential address identified in FINRA's Central Registration Depository (CRD). Zak was required to respond to the request by October 13, 2020.

44. The first class mailing and certified mailing were not returned to FINRA. USPS tracking information indicates that the certified mailing was left with an individual at Zak's CRD address on October 6, 2020.

45. Zak did not provide any documents or otherwise respond to the request by the October 13, 2020 deadline.

46. On October 14, 2020, FINRA staff sent Zak a second request pursuant to FINRA Rule 8210, requesting that Zak provide the documents requested pursuant to FINRA's previously issued September 29, 2020 Rule 8210 request. FINRA staff sent the October 14, 2020 Rule 8210 request to Zak by first class mail and certified mail at his residential address identified in CRD. Zak was required to provide a response to the October 14, 2020 request by October 28, 2020.

47. The first class mailing and certified mailing were not returned to FINRA. USPS tracking information indicates that the certified mailing was left with an individual at Zak's CRD address on October 22, 2020.

48. Zak did not provide any documents or otherwise respond to the second request by the October 28, 2020 deadline.

49. On November 18, 2020, FINRA staff sent Zak a Notice of Suspension pursuant to FINRA Rule 9552, informing him that he would be suspended from associating with any FINRA member in any capacity on December 14, 2020, unless he provided to FINRA the information and documents which had been previously requested in accordance with and pursuant to FINRA

Rule 8210. The Notice of Suspension also stated that if Zak took corrective action by complying with the requests before December 14, 2020, the suspension would not take effect.

50. FINRA sent the Notice of Suspension to Zak by first class mail, and certified mail, return receipt requested, at his residential address identified in CRD, in accordance with FINRA Rules 9552(b) and 9134(b), which require that a Notice of Suspension be sent to a natural person at the person's "residential address, as reflected in [CRD]." FINRA also sent the Notice of Suspension to Zak by email.

51. The first class mailing and certified mailing were not returned to FINRA, and the copy sent to Zak's email was also not returned. USPS tracking information indicates that the certified mailing was left with an individual at Zak's CRD address on November 23, 2020.

52. On December 14, 2020, (the day Zak was scheduled to be suspended), and December 17, 2020, Zak provided partial responses to the information and document requests previously issued to him. Zak failed to provide account statements for three of his seven financial accounts.

53. Given his partial responses to the outstanding requests, on December 18, 2020, FINRA stayed the effective date of Zak's suspension until December 23, 2020, to allow Zak to supplement his responses. Zak failed to provide any supplemental responses or otherwise fully comply with the previous requests.

54. On December 23, 2020, due to his failure to fully respond to the outstanding Rule 8210 requests, Zak was suspended from associating with any FINRA member in any capacity pursuant to FINRA Rule 9552.

55. On January 3, 2021, Zak provided a second supplemental response to the outstanding requests which included the account statements for the three financial accounts for

which he had previously failed to provide responsive documents. As a result, FINRA terminated Zak's suspension on January 11, 2021.

56. Zak provided untimely responses to two Rule 8210 requests for information and documents.

Zak Failed to Appear for Testimony

57. On March 12, 2021, FINRA staff sent Zak a request pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony on March 26, 2021. The March 12, 2021 Rule 8210 request was sent via certified mail, return receipt requested, to Zak's last known residential address as reflected in CRD, and first class mail. The March 12, 2021 Rule 8210 request was also sent to Zak by email.

58. The copy of the request sent by certified mail was delivered on March 15, 2021 to an individual at Zak's CRD address. The copy sent by first class mail to Zak's CRD address was not returned to FINRA, and the copy sent to Zak's email was not returned.

59. Zak failed to appear and provide testimony on March 26, 2021.

60. On March 29, 2021, FINRA staff sent a second request to Zak pursuant to FINRA Rule 8210 requiring him to appear by videoconference and provide on-the-record testimony on April 5, 2021.

61. The March 29, 2021 Rule 8210 request was sent to Zak's CRD address via certified mail, return receipt requested, and first class mail. The March 29, 2021 Rule 8210 request was also sent to Zak by email. The copy sent by certified mail was delivered on March 31, 2021 to an individual at Zak's CRD address.

62. The copy sent by first class mail to Zak's CRD address was not returned to FINRA, and the copy sent to Zak's email was not returned.

63. Zak again failed to appear and provide testimony on April 5, 2021.

FIRST CAUSE OF ACTION

Falsification and Forgery of Life Insurance Applications (Violation of FINRA Rule 2010)

64. The Department of Enforcement realleges and incorporates by reference all prior paragraphs.

65. FINRA Rule 2010 requires a registered person, in the conduct of his business, to observe high standards of commercial honor and just and equitable principles of trade. Falsifying business documents is inconsistent with just and equitable principles of trade.

66. Signing or electronically affixing another person's name to business documents without their knowledge or consent constitutes forgery, which is inconsistent with just and equitable principles of trade.

67. Zak created and submitted a total of three fictitious life insurance applications for BM and CM and electronically affixed their signatures on the applications without either customer's knowledge or consent.

68. Zak also electronically affixed AP's signature on a life insurance application without her knowledge or consent.

69. By virtue of the foregoing, Zak violated FINRA Rule 2010.

SECOND CAUSE OF ACTION

Failure to Timely Respond to Written Requests for Information and Documents (Violation of FINRA Rules 8210 and 2010)

70. The Department of Enforcement realleges and incorporates by reference paragraphs all prior paragraphs.

71. FINRA Rule 8210(a) provides that for purposes of an investigation, FINRA has the right to require a person subject to FINRA's jurisdiction to "provide information orally [or] in writing with respect to any matter involved in the investigation"

72. FINRA Rule 8210(c) provides that "[n]o member or person shall fail to provide information . . . pursuant to this Rule."

73. Failing to timely respond to FINRA's requests for information and documents issued pursuant to Rule 8210 also violates FINRA Rule 2010.

74. FINRA Rule 8210(d) specifies that notice under Rule 8210 shall be deemed received by a current or formerly registered person to whom it is directed "by mailing or otherwise transmitting the notice . . . to the last known residential address of the person as reflected in the Central Registration Depository."

75. The financial account statements requested of Zak pursuant to FINRA Rule 8210 were material to FINRA's investigation of whether Zak had submitted additional fictitious life insurance policy applications and whether he received commissions for submitting the applications.

76. Zak's untimely responses to the requests has had a material impact on FINRA's ability to timely complete its investigation. The information requested was material to FINRA's investigation of whether Zak submitted additional fictitious life insurance policy applications on behalf of other customers. FINRA's request to Zak to provide account statements for his bank, brokerage, and credit card accounts, as well as his 2019 tax returns, were necessary for FINRA to determine whether any of the bank accounts listed on the fictitious policy applications belonged to Zak and if so, to determine whether Zak earned additional commissions from those applications.

77. By failing to timely respond to requests for information and documents issued pursuant to FINRA Rule 8210 on September 29, 2020 and October 14, 2020, Zak violated FINRA Rules 8210 and 2010.

THIRD CAUSE OF ACTION

Failure to Appear and Provide Testimony (Violation of FINRA Rules 8210 and 2010)

78. The Department of Enforcement realleges and incorporates by reference all prior paragraphs.

79. A failure to comply with a request for testimony pursuant to FINRA Rule 8210 is also a violation of FINRA Rule 2010.

80. On March 12, 2021, FINRA properly noticed Zak's testimony for March 26, 2021, pursuant to FINRA Rule 8210.

81. On March 26, 2021, Zak failed to appear for testimony and did not request or receive an extension of this deadline.

82. On March 29, 2021, FINRA properly noticed Zak's testimony for a second time for April 5, 2021, pursuant to FINRA Rule 8210.

83. On April 5, 2021, Zak failed to appear for testimony and did not request or receive an extension of this deadline.

84. Zak's failure to appear and provide on-the-record testimony requested pursuant to FINRA Rule 8210 impeded FINRA's investigation. Zak's failure to provide on-the-record testimony prevented FINRA from further investigating the three fictitious and forged insurance applications Zak submitted, investigating whether Zak had submitted additional fictitious life insurance policy applications, and evaluating Zak's denial that he had done so.

85. By failing to appear for testimony as requested pursuant to FINRA Rule 8210 on March 26, 2021, and April 5, 2021, Zak 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), including monetary sanctions, be imposed; and
- C. order that Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 19, 2021



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