

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVEN K. SCHROEDER
(CRD No. 4177966),



Respondent.

Disciplinary Proceeding
No. C8A040092

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

February 14, 2005

Respondent is barred from associating with any NASD member firm in any capacity for (1) forging customers' and others' signatures, in violation of NASD Conduct Rule 2110, and (2) failing to respond to requests for information, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

Appearances

Richard A. March, Senior Regional Attorney, Chicago, IL (Rory C. Flynn, Esq., Of Counsel, Washington, DC) for Complainant.

No appearance by or for Steven K. Schroeder.

DECISION

I. Introduction

On October 11, 2004, the Department of Enforcement ("Enforcement") filed the attached two-count Complaint, charging Steven K. Schroeder ("Schroeder" or the "Respondent") with (1) forging signatures on four life insurance assignment forms to fraudulently obtain a bank loan for a company principally owned by the Respondent, in violation of NASD Conduct Rule 2110; and

(2) failing to respond to requests for information, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

The Respondent did not file an Answer to the Complaint. Accordingly, on December 27, 2004, Enforcement filed a motion for entry of default decision, supported by the declaration of Richard A. March and four exhibits.¹ Schroeder did not respond to the motion.

For the reasons set forth below, the Hearing Officer grants Enforcement's motion.²

II. Respondent's Default

On October 8, 2004, Enforcement served the Complaint and Notice of Complaint on the Respondent by certified and first class mail, sent to his current residential address, as reflected in the Central Registration Depository (the CRD address).³ The Respondent did not file an Answer. On November 5, 2004, Enforcement served the Complaint and Second Notice of Complaint on the Respondent by certified and first class mail sent to the same address.⁴ The Respondent again failed to file an Answer or otherwise respond to the Complaint.

Enforcement complied with Procedural Rule 9134(b)(1) by serving the Respondent with the Complaint and Second Notice of Complaint by certified mail addressed to him at his CRD address. The Respondent thereby received constructive notice of this proceeding. By failing to file an Answer or otherwise respond to the Complaint, the Respondent defaulted. Accordingly, pursuant to Procedural Rules 9215(f) and 9269(a)(2), the Hearing Officer deems the allegations in the Complaint admitted.

¹ On January 18, 2005, at the Hearing Officer's direction, Enforcement filed Exhibit A to supplement the Respondent's CRD record (Exhibit 1).

² The factual determinations in this Decision are based on the allegations of the attached Complaint, which are deemed admitted, and the declaration and exhibits filed by Enforcement with its motion.

³ March Decl. ¶ 6.

⁴ *Id.* ¶ 7.

III. Jurisdiction

Schroeder was registered with NASD member Northwestern Mutual Investment Services, LLC as an Investment Company and Variable Contracts Products Representative from June 12, 2000, until May 23, 2003, when his registration was terminated.⁵ Since May 23, 2003, Schroeder has not been associated or registered with any NASD member.

Schroeder is subject to NASD jurisdiction pursuant to Article V, Section 4 of NASD's By-Laws, because the Complaint, which was filed within two years of the termination of his registration with Northwestern Mutual, charges him with misconduct that commenced while he was registered, and with failing to comply with requests for information made during the two-year period following the termination.

IV. Findings of Fact and Conclusions of Law

A. Forgeries

The first cause of the Complaint alleges that Schroeder, who was the financial representative for customers DB and SB, forged their and their trustee's signatures on certain documents.⁶ Specifically, in February 2002, Schroeder allegedly affixed their signatures to four life insurance assignment forms and then pledged the policies as collateral to obtain a bank loan for a company Schroeder owned and operated.⁷ The Complaint further alleges that, in November 2002, Schroeder forged the original loan officer's signature to a release for one of the life

⁵ *Id.* at ¶ 5; Ex. A, at 2.

⁶ *See* Compl. ¶¶ 2-6; March Decl. ¶ 9.

⁷ Compl. ¶ 4. The life insurance policies were used to obtain a bank loan for Reddington International, which company had the same address as the Respondent. During the investigation, Schroeder admitted that Reddington was a holding company that he owned and operated and that the bank loans he obtained were used to pay his business and living expenses. (March Decl. ¶ 10.)

insurance assignment forms, without the loan officer's knowledge or consent.⁸ In fact, the loan officer was not employed by the lending bank at that time.⁹

The allegations against the Respondent in the first cause of Complaint, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Schroeder violated Rule 2110. Forgery is wholly inconsistent with NASD's requirement that registered individuals maintain high standards of ethical conduct and observe just and equitable principles of fair trade.¹⁰

B. Failure to Respond to Requests for Information

The second cause of Complaint alleges that on June 13, October 31, and again on November 13, 2003, the staff sent a letter to Schroeder, pursuant to NASD Procedural Rule 8210, requesting that he provide information in writing regarding the allegations that he committed the forgeries described in the first cause of Complaint.¹¹ The Complaint further alleges that the staff sent each letter to Schroeder at his CRD address by first class and certified mail in accordance with Rule 8210(d). The staff also sent the second two requests to an additional address supplied by Schroeder's attorney. Schroeder signed the receipts for the certified mailings containing the first two requests. Both receipts for the certified mailings containing the third request were signed by "Christopher Schroeder."¹²

⁸ Compl. ¶ 5.

⁹ March Decl. ¶ 10.

¹⁰ See, e.g., *Donald M. Bickerstaff*, Exchange Act Release No. 35,607, 1995 SEC LEXIS 982 (Apr. 17, 1995) (forgery constituted a violation of Article III, Section 1 of NASD's Rules of Fair Practice, the predecessor to NASD Conduct Rule 2110).

¹¹ See Compl. ¶¶ 7-9.

¹² March Decl. ¶¶ 13-15.

Although Schroeder requested and received an extension of time to respond to the first request, he never did.¹³ Schroeder also failed to respond to the second and third requests.¹⁴

These allegations, which are deemed admitted, are sufficient to establish for purposes of this default decision that Schroeder failed to respond to the staff's requests for information, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110, as alleged in the second cause of Complaint.

V. Sanctions

Schroeder's misconduct was egregious. His conduct casts serious doubt on his commitment to the fiduciary standards demanded of registered persons in the securities industry. Consequently, Enforcement seeks to bar Schroeder from again associating with a member firm in any capacity. Without question, the sanction Enforcement requests is warranted in this case.

For forgery or falsification of records, as charged in the first cause of Complaint, the NASD Sanction Guidelines ("Guidelines") recommend a bar for egregious misconduct.¹⁵ The Hearing Officer concludes that Schroeder's conduct was egregious because of the nature of the forged documents and the surrounding circumstances.¹⁶ Schroeder forged the documents to obtain fraudulent bank loans for his personal holding company. Given the gravity of this misconduct and the total absence of any mitigating factors, a bar is the only appropriate sanction.

¹³ Compl. ¶ 10.

¹⁴ *Id.* at ¶ 11.

¹⁵ NASD Sanction Guidelines 41 (2004 ed.).

¹⁶ *Cf. District Bus. Conduct Comm. v. Peters*, No. C02960024, 1998 NASD Discip. LEXIS 42, at *8 (N.A.C. Nov. 13, 1998) (discussing nine principal considerations under the Guidelines applicable to cases of forgery or falsification of documents).

As to the second cause of Complaint, the Guidelines provide that a bar is standard for failure to respond to requests for information absent any mitigating circumstances.¹⁷ There are no mitigating circumstances here that would justify a sanction less than a bar.

VI. Order

Respondent Steven K. Schroeder is barred from associating with any NASD member firm in any capacity for: (1) forging signatures, in violation of NASD Conduct Rule 2110; and (2) failing to respond to requests for information, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110. The bars shall become effective immediately if this Decision becomes the final disciplinary action of NASD.



Andrew H. Perkins
Hearing Officer

Copies served on:

Steven K. Schroeder (via FedEx, overnight delivery, and first-class mail)
Richard A. March, Esq. (via first-class and electronic mail)
Rory C. Flynn, Esq. (via first-class and electronic mail)

¹⁷ Guidelines 37.

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant

vs.

STEVEN K. SCHROEDER
Limited Registered Representative
(CRD No. 4177966)

Respondent

**Disciplinary Proceeding
No. C8A040092**

Hearing Officer

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. Between in or about January 2002 and in or about May 2003, Steven K. Schroeder ("Respondent") was registered as an Investment Company Products/Variable Contracts Representative with Northwestern Mutual Investment Services, LLC ("Member"), a member of NASD. On or about May 23, 2003, the Member filed a Uniform Termination Notice for Securities Industry Registration (Form U-5), which terminated Respondent's registration with the Member. Given that this complaint was filed within two years of the effective date of the termination of registration of Respondent with the Member, Respondent is subject to the jurisdiction of NASD, pursuant to Article V, Section 4 of NASD's By-Laws.

FIRST CAUSE FOR COMPLAINT
NASD Conduct Rule 2110
Forgery

2. Prior to February 2002, Respondent, who was the financial representative for public customers DB and SB, was in charge of servicing four of their life insurance policies issued by the Member's insurance affiliate.

3. In or about February 2002, Respondent affixed the signatures of DB, SB and their trustee to four life insurance assignment forms involving the above-referenced insurance policies, without the knowledge and consent of DB, SB and their trustee.

4. Respondent then pledged the four life insurance policies as collateral for a loan made to a company principally owned and operated by Respondent.

5. In or about November 2002, Respondent affixed the signature of a loan officer of the bank that made the loan to Respondent's company to a release of one of the life insurance assignment forms mentioned above, without the loan officer's knowledge and consent.

6. The acts, practices and conduct described above constitute separate and distinct violations of NASD Conduct Rule 2110.

SECOND CAUSE FOR COMPLAINT
NASD Conduct Rule 2110 and NASD Procedural Rule 8210
Failure to Respond to Requests for Information

1-6 Paragraphs 1 through 6 above are realleged and incorporated herein by reference.

7. On or about June 13, 2003, NASD staff sent to Respondent a request that he provide certain information regarding the allegations of forgeries, pursuant to and in accordance with the provisions of NASD Procedural Rule 8210. The request for information was sent by first class mail and certified mail, return receipt requested, to Respondent's address of record as

contained in the records of the Central Registration Depository ("CRD address"). The first class mail was never returned and the return receipt was sent back with the signature of the Respondent.

8. On or about October 31, 2003, NASD staff sent to Respondent a second request that he provide certain information regarding the allegations of forgeries, pursuant to and in accordance with the provisions of NASD Procedural Rule 8210. The request for information was sent by first class mail and certified mail, return receipt requested, to Respondent's CRD address and to a new address. The first class mail was never returned and the return receipt for the CRD address and the new address were sent back with the signatures of the Respondent.

9. On or about November 13, 2003, NASD staff sent to Respondent a third request that he provide certain information regarding the allegations of forgeries, pursuant to and in accordance with the provisions of NASD Procedural Rule 8210. The request for information was sent by first class mail and certified mail, return receipt requested, to Respondent's CRD address and to a new address. The first class mail was never returned and the return receipt for the CRD address and the new address were sent back with the signatures of Respondent's family members.

10. With regard to the first request, although Respondent asked for and was given additional time to respond, he has failed to respond to this request and the time in which to answer has passed.

11. Respondent has failed to respond to the second and third requests and the times in which to answer have passed.

12. The acts, practices and conduct described above constitute separate and distinct

violations of NASD Conduct Rule 2110 and Procedural Rule 8210 by Respondent.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

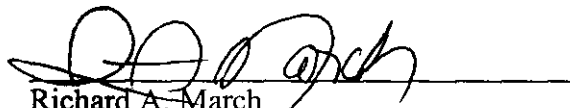
- A. Findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. An order imposing non-monetary sanctions upon Respondent in accordance with NASD Procedural Rule 8310;
- C. An order imposing any other fitting non-monetary sanction.

October 8, 2004

Date



Carlotta Romano
Senior Vice President and Regional Director
NASD, District 8



Richard A. March
Senior Regional Attorney
NASD, District 8
55 West Monroe Street, Suite 2700
Chicago, IL 60603-5052
(312)899-4351

Rory C. Flynn, Of Counsel
Department of Enforcement
NASD
1801 K Street, N.W., Suite 800
Washington, D.C. 20006