

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEPHEN YARKPAZUO JENSEN  
(CRD No. 4400624),

Respondent.

Disciplinary Proceeding  
No. 2010024062601

Hearing Officer – SNB

**HEARING PANEL DECISION**

June 11, 2013

**Respondent is barred for misappropriating his customer’s funds and forging endorsements on checks, in violation of NASD Rule 2110 and FINRA Rule 2010. In light of the bar, the Hearing Panel did not reach the issue of whether Respondent failed to fully respond to a request for documents, in violation of FINRA Rules 8210 and 2010.**

*Appearances*

Kristy M. Tillman, Esq., and Carolyn J. Craig, Esq., representing the Department of Enforcement.

Guy Sohau, Esq., representing Stephen Yarkpazuo Jensen.

**DECISION**

**I. Introduction**

This is a serious case of a broker who took advantage of a customer who was also his close friend. Respondent Stephen Yarkpazuo Jensen was registered with Allstate Financial Services (the “Firm”) between September 2001 and October 2010.<sup>1</sup> During that time, he was also employed with an insurance affiliate of the Firm. Between March 2007 and February 2009, Respondent misappropriated \$12,500 from insurance customer PK by taking loans against her life insurance policy and forging her endorsement on the

---

<sup>1</sup> CX-35.

loan checks without her knowledge or consent. When PK discovered the unauthorized loans, she notified the Firm. The Firm then terminated Respondent's employment.<sup>2</sup> FINRA Staff ("Staff") then began the investigation that led the Department of Enforcement to initiate this disciplinary proceeding.

The Amended Complaint's first cause of action alleges that Respondent misappropriated PK's funds by taking loans against her insurance policy without her knowledge. The second cause of action alleges that Respondent forged PK's endorsement on the loan checks. The third cause of action alleges that Respondent failed to respond completely to Staff's Rule 8210 request for bank records regarding the misappropriation of PK's funds.

Following a two-day hearing, the Hearing Panel concluded that Enforcement established violations as to the first two causes of action - Respondent misappropriated PK's funds by taking loans against her insurance policy and forged PK's endorsement to cash the resulting loan checks without PK's knowledge. The Hearing Panel imposed the standard sanction for each violation—a bar.<sup>3</sup> In light of the bar, the Panel determined not to reach the issue of whether Respondent's actions in response to the Staff's request for bank records constituted a failure to respond completely to the Staff's Rule 8210 request.<sup>4</sup>

---

<sup>2</sup> *Id.* p. 4.

<sup>3</sup> The hearing was held on March 20 and 21, 2013, in Detroit, Michigan. "Tr." refers to the transcript of the hearing, "CX" to Enforcement's exhibits, and "RX" to Respondent's exhibits.

<sup>4</sup> While the Panel declines to reach this cause of action, it questioned the Staff's refusal to accept Respondent's offer to give the Staff a release that would enable the Staff to obtain Respondent's bank records directly. Tr. 9.

## **II. Findings of Fact**

Over a two-year period, Respondent misappropriated PK's funds without her knowledge by taking four loans totaling \$12,500 against her insurance policy and forging her endorsement to cash the checks. Respondent offered explanations for his conduct, but the Panel did not find these explanations credible.

### **A. Respondent's Close Relationship with PK**

PK initially met Respondent at a Liberian social gathering in 1995.<sup>5</sup> Respondent and PK were from the same region in Liberia; this cultural tie provided a strong foundation for their friendship.<sup>6</sup> Over the years, Respondent and PK socialized frequently.<sup>7</sup> PK came to Respondent's office to make photocopies and study for her classes.<sup>8</sup> Respondent visited PK after work, and sometimes made repairs to her apartment.<sup>9</sup>

In 1997, PK became Respondent's customer at the Firm.<sup>10</sup> PK was employed as a nurse's aide, earning modest hourly wages.<sup>11</sup> Respondent recommended, and PK agreed, to take out a \$100,000 universal life insurance policy for premiums of \$100 per month.<sup>12</sup>

---

<sup>5</sup> Tr. 29.

<sup>6</sup> Tr. 29, 157, 170, 224.

<sup>7</sup> Tr. 209, 219-220.

<sup>8</sup> Tr. 36, 106, 210.

<sup>9</sup> Tr. 154.

<sup>10</sup> Tr. 29-30.

<sup>11</sup> Tr. 32, 118.

<sup>12</sup> CX-1; Tr. 30-32. When PK requested that her children be designated as beneficiaries, Respondent advised her that he could not do so, because the children were in Liberia, and due to the war, their location was unknown. Tr. 33. At Respondent's suggestion, PK designated Respondent's sister as the beneficiary. Tr. 33. Respondent indicated on the Firm's form that his sister was PK's cousin. Tr. 171-172. Respondent testified that he made the cousin entry because Liberians culturally consider each other as cousins. *Id.* The Panel did not find that credible, because Respondent should have known that this would be misleading to the Firm.

## **B. The conduct at issue—Respondent took loans against PK’s insurance**

The conduct at issue spanned almost two years. In March 2007, Respondent applied for a \$3,500 loan against PK’s policy. PK did not request the loan and did not consent to it. A check for the loan proceeds was mailed to PK’s home address.<sup>13</sup> When PK received it, she recognized that it was probably a check, and brought it to Respondent and asked that he return it to the insurance company.<sup>14</sup> Respondent took the \$3,500 check, but, instead of returning it, forged PK’s endorsement on the check and cashed it.<sup>15</sup>

Several months later, Respondent changed PK’s mailing address to his office address without PK’s knowledge or consent.<sup>16</sup> Between January 2008 and February 2009, Respondent applied for three additional loans against PK’s policy, without PK’s knowledge or consent, in the amount of \$4,700, \$2,400, and \$1,900.<sup>17</sup> In each instance, because Respondent changed PK’s mailing address, the loan proceeds were mailed to Respondent’s office. When Respondent received each check, he forged PK’s endorsement and cashed it without PK’s knowledge or consent.<sup>18</sup> In total, Respondent received \$12,500 in loan proceeds.<sup>19</sup>

PK was unaware of the loans until, over a year later in March 2010, she telephoned the insurance carrier to check on the designation of beneficiaries on her insurance policy.<sup>20</sup> During the call, the insurance representative noted that there were

---

<sup>13</sup> CX-7.

<sup>14</sup> Tr. 49.

<sup>15</sup> Tr. 81, 174-177.

<sup>16</sup> RX-10; Tr. 54.

<sup>17</sup> CX-9- CX-11; Tr. 54, 178-180, 203.

<sup>18</sup> Tr. 81-82.

<sup>19</sup> CX-12.

<sup>20</sup> Tr. 55.

loans against the insurance policy in excess of \$12,000.<sup>21</sup> PK was surprised and said this was an error.<sup>22</sup>

The next day PK called back, hoping the prior representative was mistaken. However, another representative confirmed that there were loans against her insurance policy.<sup>23</sup> PK asked for a copy of the loan documentation and was informed that she would receive it in 7 to 14 days.<sup>24</sup> When she did not receive the documentation, she called again.<sup>25</sup> The insurance company promised a prompt response.<sup>26</sup>

Shortly thereafter, Respondent called PK and told her to come to his office to get the documentation that she had been requesting.<sup>27</sup> When she went to Respondent's office, he gave her documents indicating that there had been loans against her policy. She asked Respondent for an explanation. Respondent's explanation was confusing. He said that her policy had been "capped" but that all the money would be back in her account in October 2010.<sup>28</sup> Respondent led PK to believe that the insurance company had unilaterally taken action in her account.<sup>29</sup>

Several days later, PK wrote a letter to the insurance company complaining that she had never taken a loan against her insurance policy, and asking for documents and an explanation.<sup>30</sup> Shortly after this complaint, she received a series of voicemails from

---

<sup>21</sup> Tr. 57.

<sup>22</sup> Tr. 57-58.

<sup>23</sup> Tr. 59.

<sup>24</sup> *Id.*

<sup>25</sup> Tr. 60.

<sup>26</sup> *Id.*

<sup>27</sup> Tr. 61.

<sup>28</sup> Tr. 62-63.

<sup>29</sup> *Id.*

<sup>30</sup> RX-17; Tr. 64. PK also met with a lawyer for guidance in recovering the funds taken against her insurance policy. The lawyer called the insurance company for PK, but then advised her to pursue the matter on her own because it would be too expensive for her to retain him. Tr. 64-65. PK wrote another letter on April 24, 2010, complaining about the loan and the damage to her credit rating, and asking for a full investigation. CX-13; Tr. 65. This time, she received a prompt response from an insurance company

Respondent and his brother and sister begging for her forgiveness for what Respondent had done. For example, Respondent stated “I am so sorry for what I did to you.”<sup>31</sup> Respondent’s sister stated, “please...forgive him...and give him this chance...to make it right with you.”<sup>32</sup> In addition, Respondent’s brother testified at the hearing that PK’s complaint related to money Respondent owed PK, which Respondent planned to pay back by October 2010.<sup>33</sup>

Ultimately, the insurance company cancelled the loans taken against PK’s policy.<sup>34</sup>

### **C. Respondent’s Explanation is Not Credible**

At the hearing, Respondent attempted to justify his actions with an explanation that the Hearing Panel did not find credible. In particular, Respondent claimed that PK requested the loans and authorized his endorsement of her name on the resulting loan checks.<sup>35</sup> He claimed that PK requested the loans to pay a Canadian lawyer to address immigration issues. He also claimed that he changed PK’s mailing address after she returned the first check to him because PK planned to move to Canada.<sup>36</sup> He further claimed that he cashed the loan checks at PK’s request and gave her cash.<sup>37</sup> The Panel rejected Respondent’s claim for six reasons.

---

representative, who asked her to review the endorsement on a check to determine whether it was PK’s signature. Tr. 68. When she reviewed the checks, she saw the signatures were not hers. She also saw that the first check was sent to her home address, so it was the check she asked Respondent to return. She wrote the insurance company to relay this information. CX-14; Tr. 68-69.

<sup>31</sup> CX-17 at 2.

<sup>32</sup> CX-17 at 4.

<sup>33</sup> Tr. 328, 337, 339-340, 345-346.

<sup>34</sup> Tr. 77.

<sup>35</sup> Tr. 217, 218.

<sup>36</sup> Tr. 215, 220.

<sup>37</sup> Tr. 219.

First, the Panel credited PK's testimony that she did not request the loans. She explained that she was still paying off her school loan and did not want to take on any more debt.<sup>38</sup> Respondent raised the idea of moving to Canada, but she dismissed it. She had no ties to Canada and knew no one who lived there.<sup>39</sup>

Second, it made no sense for Respondent to change PK's mailing address unless and until PK moved, nor would it make sense to maintain Respondent's office as PK's mailing address over a two-year period, during which time it must have become clear that a move was not imminent.

Third, Respondent offered no explanation as to why PK would ask Respondent to sign her name to endorse the loan checks when she was in his office frequently and, according to Respondent, was there to receive the cash immediately after Respondent forged the checks.

Fourth, it made no sense that Respondent would leave a message apologizing for what he did if he had given PK the loan proceeds and was acting at PK's direction.

Fifth, Respondent's brother credibly testified that Respondent PK's complaint related to funds that Respondent owed to PK that he planned to pay back by October 2010. The timing of the repayment was consistent with PK's testimony of what Respondent told her.

Finally, the Panel determined that Respondent's process of converting the checks into cash would not have been necessary if the proceeds were for PK. It would be more likely for PK to deposit the loan checks directly into her bank account, as she had done

---

<sup>38</sup> Tr. 48.

<sup>39</sup> Tr. 47.

with other checks she received from Respondent.<sup>40</sup> Further, the Panel viewed it unlikely that PK would travel across the U.S. border with a large sum of cash to pay a lawyer. On the other hand, Respondent's cashing of the checks was consistent with his misappropriation because the funds thereby became untraceable and he became better able to hide his misappropriation.

### **III. Conclusions of Law - Misappropriation and Forgery**

After careful consideration of the evidence, the Panel concluded that Respondent misappropriated PK's funds by borrowing against her insurance policy and forged PK's endorsement to cash the checks without her knowledge or consent.

FINRA Rule 2010 (formerly NASD Rule 2110)<sup>41</sup> is an ethical rule. It requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade. "FINRA's authority to pursue disciplinary action for violations of Rule 2110 is sufficiently broad to encompass any unethical business-related misconduct, regardless of whether it involves a security."<sup>42</sup> This rule has been specifically applied to financial misconduct by registered representatives acting in the

---

<sup>40</sup> Tr. 44-45.

<sup>41</sup> As of July 30, 2007, NASD began operating under a new corporate name, the Financial Industry Regulatory Authority ("FINRA"). References in this decision to FINRA include, where appropriate, NASD. On December 15, 2008, certain consolidated FINRA rules became effective, replacing parallel NASD rules, and in some cases the prior rules were re-numbered and/or revised. See Regulatory Notice No. 08-57, FINRA Notices to Members, 2008 FINRA LEXIS 50 (Oct. 2008). In that process, FINRA renumbered NASD Rule 2110 as FINRA Rule 2010. This decision refers to and relies on the rules that were in effect at the time of Respondent's alleged misconduct and cited in the Complaint as the basis for the charges against him. In addition, because Enforcement filed the Complaint after December 15, 2008, FINRA's procedural rules govern this proceeding. The applicable rules are available at [www.finra.org/rules](http://www.finra.org/rules).

<sup>42</sup> *Dep't of Enforcement v. Saad*, No. 2006006705601, 2009 FINRA Discip. LEXIS 29, at \*11-12 (Oct. 6, 2009) (citing *Manoff*, Exch. Act. Rel. No. 46,708, 2002 SEC LEXIS 2684 at \*11 (Oct. 23, 2002) (finding that registered representative who used a co-worker's credit card without authorization violated Rule 2110)); *James A. Goetz*, 53 S.E.C. 472, 475 (1998) (finding that registered person's misuse of member firm's matching gift program to obtain private school tuition credit violated Rule 2110); *Dist. Bus. Conduct Comm. v. Bruun*, No. C3B960004, 1998 NASD Discip. LEXIS 23, at \*10 (NAC Jan. 23, 1998) (finding that registered person's submission of false reimbursement requests for seminar expenses violated Rule 2110).

capacity of insurance agents.<sup>43</sup> The test to determine whether conduct violates the Rule is whether the misconduct “reflects on the associated person's ability to comply with the regulatory requirements of the securities business and to fulfill his fiduciary duties in handling other people’s money.”<sup>44</sup>

Misappropriating customer funds is a violation of the fundamental relationship between a registered representative and the customer, and “undermines the integrity of the securities industry.”<sup>45</sup> Even when the misappropriation of customer funds is not committed in connection with a securities transaction, it constitutes “unethical business-related conduct and calls into question [the respondent’s] ability to fulfill his fiduciary duties in handling other people’s money.”<sup>46</sup> Similarly, as the SEC has held, forgery is inconsistent with just and equitable principles of trade under FINRA Rule 2010 and NASD Rule 2110.<sup>47</sup>

Here, Respondent’s conduct was plainly unethical. He took four loans against PK’s insurance policy in the aggregate amount of \$12,500, without PK’s knowledge or consent. When Respondent received the loan checks made payable to PK, he forged PK’s signature and cashed the checks, again, without PK’s knowledge or consent.<sup>48</sup>

Based upon this conduct, the Hearing Panel concluded that Respondent violated NASD Rule 2110 and FINRA Rule 2010.

---

<sup>43</sup> *Thomas E. Jackson*, 45 SEC 771, 772 (1975) (finding that an insurance agent who forged signatures on applications to obtain commissions to which he was not entitled violated Rule 2110).

<sup>44</sup> *Saad*, 2009 FINRA Discip. LEXIS 29, at \*12 (quotation omitted).

<sup>45</sup> *Dist. Bus. Conduct Comm. v. Westberry*, No. C07940021, 1995 NASD Discip. LEXIS 225, at \*24 (NBCC Aug. 11, 1995).

<sup>46</sup> *Manoff*, Exch. Act. Rel. No. 46708, 2002 SEC LEXIS 2684, at \*11 (Oct. 23, 2002).

<sup>47</sup> *Mark F. Mizenko*, Exch. Act Rel. No. 52600, 2005 SEC LEXIS 2655, at \*11-12 (Oct. 13, 2005) (finding forgery when a respondent signed a firm director’s name, without authority, on a corporate resolution that guaranteed car loans and leases).

<sup>48</sup> Signing a person’s name to documents without the person’s permission constitutes forgery. *Dep’t of Enforcement v. Claggett*, No. 2005000631501, 2007 FINRA Discip. LEXIS 2, at \*11 (NAC Sept. 28, 2007).

#### **IV. Sanctions**

The Hearing Panel determined to impose a unitary sanction for the misappropriation and forgery causes because they arose from a common course of action.<sup>49</sup> Under the FINRA Sanction Guidelines, a bar is the standard sanction for misappropriation of customer funds.<sup>50</sup> Similarly, the sanction for forgery is a bar in egregious cases.<sup>51</sup>

Here, Respondent's misconduct was egregious. There are no mitigating factors, only aggravating ones. This was not an isolated incident; Respondent misappropriated four checks by taking loans against PK's insurance policy and forged PK's endorsement over a two-year period. He acted for personal gain and harmed a customer.<sup>52</sup> He took no responsibility for his misconduct,<sup>53</sup> and his testimony at the hearing was not credible. The Hearing Panel concluded that a bar is the appropriate sanction.<sup>54</sup>

#### **V. Conclusion**

Respondent is barred for misappropriating customer funds and forging endorsements on checks, in violation of NASD Rule 2110 and FINRA Rule 2010. In light of the bar, the Hearing Panel did not reach the issue of whether Respondent failed to fully respond to a request for documents, in violation of FINRA Rules 8210 and 2010. Respondent also is ordered to pay the costs of the hearing in the amount of \$4,662.40, which include a \$750 administrative fee and the cost of the hearing transcript. The bar shall become effective immediately if this decision becomes FINRA's final action. The

---

<sup>49</sup> *FINRA Sanction Guidelines* at 4 (2011), available at [www.finra.org/sanctionguidelines](http://www.finra.org/sanctionguidelines).

<sup>50</sup> *Id.* at 36.

<sup>51</sup> *Id.* at 37.

<sup>52</sup> *Id.* at 7, Principal Consideration No. 17.

<sup>53</sup> *Id.* at 6, Principal Consideration No. 2.

<sup>54</sup> The Hearing Panel considered and rejected without discussion all other arguments of the parties.

costs shall be due on a date set by FINRA, but not sooner than 30 days after this decision becomes FINRA's final disciplinary action in this proceeding.

**HEARING PANEL**

---

Sara Nelson Bloom  
Hearing Officer