

State of Missouri  
Office of Secretary of State

Case No. AP-05-15

IN THE MATTER OF:

BORIS SCHNEIDER, CRD #1773270  
10358 Chimney Rock Drive  
St. Louis, Missouri 63146

Respondent.

**CONSENT ORDER**

1. The Missouri Securities Division alleges that Boris Schneider ("Schneider") engaged in dishonest or unethical business practices and that this constitutes grounds for discipline pursuant to Section 409.204(a)(2)(G), RSMo 2000.
2. Schneider desires to settle the allegations and the matters raised by the staff of the Securities Division relating to his alleged violation of Missouri Securities Laws.
3. Schneider and the Securities Division consent to the issuance of the Consent Order.
4. Schneider, without admitting or denying any of the allegations that he engaged in any dishonest or unethical business practices or that there are grounds for discipline pursuant to Section 409.204(a)(2)(G), RSMo 2000, stipulates and agrees to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
5. Schneider waives his right to a hearing with respect to this matter.
6. Schneider stipulates and agrees that he waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Further, Schneider specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Schneider stipulates and agrees that, should the facts contained herein prove to be false or incomplete, the Missouri Division of Securities preserves the right to pursue any and all legal or administrative remedies at its disposal.

**STIPULATIONS OF FACT**

8. Schneider is a Missouri resident whose address is 10358 Chimney Rock Drive, Apt. #18, St. Louis, Missouri 63146.
9. Schneider was most recently registered as an agent with Wyoming Financial Securities, Inc. ("Wyoming"), from March 27, 1998 to November 5, 2004.
10. On October 28, 2003, Missouri Resident #1 ("MR1") filed a claim through NASD arbitration alleging Schneider engaged in, among other things, churning, unsuitable investment recommendations, unsuitable use of margin, trading without discretionary authority, and misrepresentations.
11. On September 17, 2004, NASD arbitrators awarded MR1 monetary compensation of \$395,000.
12. On June 18, 2002, a similar claim was filed in NASD arbitration by Missouri Resident #2 ("MR2"). MR2 alleged Schneider, among other things, engaged in failure to disclose the risks of the options and margin strategy used by Schneider, unsuitable trading, unsuitable use of margin, unauthorized trading, and mismarking of order tickets.
13. On June 27, 2003, the claim filed by MR2 was settled during NASD arbitration for \$38,000, with Schneider responsible for payment of \$9,500 of the award.
14. On November 5, 2004, Wyoming submitted a Form U5 (Uniform Termination Notice for Securities Industry Registration) to the Central Registration Depository ("CRD") System indicating Schneider was discharged for "failure to pay 1/3rd of

arbitration judgment for [sic] \$395,000 plus attorney's fees." The arbitration judgment related to an NASD arbitration filed by MR1.

15. In a statement to the Securities Division submitted on March 23, 2005, Schneider admits that some of the order tickets submitted for the account of MR1 "were not correctly marked to accurately reflect whether such transactions were solicited or unsolicited."
16. A review of monthly activity statements associated with the accounts of MR1 and MR2 revealed Schneider was engaged in an active options trading strategy that employed the use of margin. The September 2001 Account Statement for the brokerage account of MR1 reveals a margin debit in excess of 66 percent of the value of MR1's account. The March 2001 Account Statement for the brokerage account of MR2 reveals a margin debit in excess of 63 percent of the value of MR2's account.

### **JURISDICTIONAL BASIS**

17. Schneider and the Securities Division stipulate and agree that the Commissioner has jurisdiction over these matters pursuant to Section 409.204(a), RSMo 2000.
18. Schneider and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to Section 409.204(a), RSMo 2000, which provides that the commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.

### **ORDER**

**WHEREAS**, the Commissioner, after consideration of the stipulation set forth above and on consent of Boris Schneider and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of the Missouri Securities Act.

**NOW, THEREFORE**, it is hereby ordered that:

1. Schneider will read and comply with the supervisory and compliance policies and procedures set forth by his employing broker-dealer.
2. Schneider will not act in a supervisory capacity at any broker-dealer unless specific approval is granted by the Securities Division.
3. Schneider's office space will be located in his employing broker-dealer's home office and he will be directly supervised by a principal of the firm who is not subject to any statutory disqualification.
4. Schneider will not be permitted to exercise discretionary authority over any Missouri customer account.
5. Schneider is prohibited from trading on margin in client accounts.
6. With respect to his Missouri customer accounts, Schneider will provide the following for his supervisor's review:
  - a. Monthly statements;
  - b. Documentation relating to suitability and proper authorization prior to execution of the initial transaction(s) in new customer accounts;
  - c. Correspondence, both incoming and outgoing. Outgoing correspondence will be reviewed prior to mailing; and
  - d. All sales literature, prospectuses and other solicitation material Schneider provides to his Missouri customers or potential Missouri customers.
7. Schneider will promptly notify the Securities Division of all written or verbal customer complaints.
8. Schneider shall pay his own costs and attorneys fees with respect to this matter.
9. Schneider shall pay \$10,000 to the Missouri Secretary of State's Investor Education and Protection Fund. Respondent shall pay this \$10,000 by paying \$2,000 upon the execution of this consent and he shall then make monthly installments of \$1,000, such payments shall be due and payable on the first day of each month beginning on July 1, 2005, and continuing until this amount is paid in full. If Respondent misses any payment, the full amount remaining shall be immediately due and payable.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 16<sup>TH</sup> DAY OF MAY, 2005.

ROBIN CARNAHAN  
SECRETARY OF STATE

DAVID B. COSGROVE  
COMMISSIONER OF SECURITIES

Consented to by:

PHILIP TOBEN  
CHIEF REGISTRATION COUNSEL  
MISSOURI DIVISION OF SECURITIES

BORIS SCHNEIDER