

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015044007001**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Thomas Paul Schober, Respondent
CRD No. 1058291

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Thomas Paul Schober, ("Schober"), submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

In 1979, Schober first became registered through a FINRA-registered firm as a General Securities Representative.

From 2007 through 2015, Schober was registered in that capacity through SII Investment, Inc. (CRD No 2225) ("SII" or the "Firm"). On January 7, 2015, SII filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") terminating Schober's registration with the Firm based on the conduct alleged herein.

Schober is not currently registered or associated with a FINRA member. However, pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction over him.

RELEVANT DISCIPLINARY HISTORY

Schober has no relevant formal disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

From August 2013 through November 2014 (the "Relevant Period"), Schober recommended unsuitable annuity exchanges in the accounts of two senior customers in violation of FINRA Rules 2111, 2330(b) and 2010. In addition, Schober concealed the unsuitable exchanges by providing false information concerning the source of funds on the annuity transaction documents used to effect the exchanges in violation of FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Unsuitable Annuity Exchanges

The victims of Schober's unsuitable recommendations are LP and JM, ages 84 and 83, respectively, who maintained separate brokerage accounts with Schober at the Firm. LP held power of attorney for JM, who suffers from dementia. Both LP and JM were conservative investors with limited financial means who relied on the income from their investments.

During the Relevant Period, Schober effected the following annuity exchanges in the accounts of JM and LP.

Customer JM

Product Surrendered	Surrender Charge	Date of Exchange	Product Purchased	Purchase Amount
MN Fixed Annuity – two annuities	\$24,045	8/13	NW Variable Annuity	\$218,000
NW Variable Annuity	\$12,283	11/14	JN Fixed Annuity	\$185,000
AI Variable Annuity – two annuities	\$46,372	8/14	NW Variable Annuity	\$750,000

Customer LP

Product Surrendered	Surrender Charge	Date of Exchange	Product Purchased	Purchase Amount
MN Fixed Annuity– two annuities	\$9,069	8/13	NW Variable Annuity	\$96,000
NW Variable Annuity	\$6,048	11/14	JN Fixed Annuity	\$82,000
MN – Fixed Annuity – two annuities	\$23,490	8/14	NW Variable Annuity	\$315,000

Schober designed these exchanges to benefit himself at the customers' expense.

All of the annuities that Schober exchanged were still in the surrender period. Consequently, JM and LP paid total surrender charges of approximately \$154,642 to sell their annuities. Additionally, JM and LP paid sales charges of approximately \$69,000, of which Schober received approximately \$65,000 in commissions, and incurred new surrender periods in connection with their annuity purchases. Further, the annuities that Schober exchanged offered comparable income benefits for the customers.

Schober never disclosed to JM and LP the amount of the surrender charges they would incur to sell their annuities. Nor did he explain the sales charges associated with the purchase of the new annuities or that they would be subject to new surrender periods.

FINRA Rule 2111 and FINRA Rule 2330(b)(1) require that a registered representative have a reasonable basis to believe that a recommended variable annuity purchase or exchange is suitable for the customer to whom the recommendation is made. This requirement includes, among other things, an adequate assessment of the impact of surrender charges, the loss of existing benefits, and the benefits of product enhancements and improvements.

Schober effected the above annuity exchanges without having a reasonable basis to believe that such purchases and sales were suitable for JM and LP in view of the nature, frequency and size of the transactions and costs to the customers, including the significant surrender charges associated with the trades. The annuity switches provided little or no new economic benefit to the customers while providing Schober with new commissions of approximately \$65,000.

By reason of the foregoing, Schober violated FINRA Rules 2111, 2330(b)(1) and 2010.

B. Falsification of Records

Schober attempted to conceal the unsuitable annuity exchanges by providing false information concerning the source of funds on the annuity transaction documents he submitted to the Firm and annuity companies.

For example, Schober falsely indicated on several annuity applications that the source of funds was "Bank Account/CD" or "IRA Checking/Savings," rather than the proceeds from an annuity exchange. Further, the annuity applications required Schober to identify whether the new annuity was replacing another annuity contract. In each instance, Schober falsely answered "no" to this question.

By reason of the foregoing, Schober violated FINRA Rules 4511 and 2010.

B. I also consent to the imposition of the following sanction:

- A bar from association with any FINRA member in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (“NAC”) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

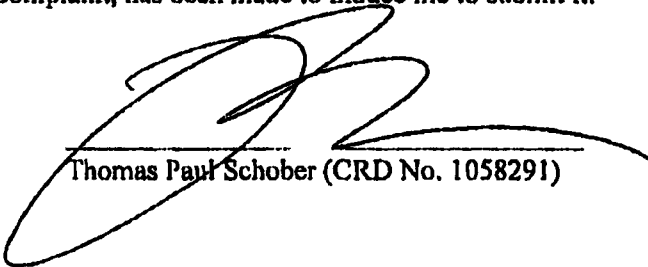
I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me;
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.


2/15/16
Date (mm/dd/yyyy)


Thomas Paul Schober (CRD No. 1058291)

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

3/3/16
Date


Michael J. Newman
Senior Regional Counsel
FINRA Department of Enforcement
581 Main Street, Suite 710
Woodbridge, New Jersey 07095
Phone: (732) 596-2030
Fax: (202) 721-6557