

NEW YORK STOCK EXCHANGE, INC.

EXCHANGE HEARING PANEL DECISION 04-151

September 28, 2004

GREGORY SHANE HARRIS

FORMER REGISTERED REPRESENTATIVE

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Cancelled and re-billed losing transaction in his personal account to a customer without authorization; deposited a check for purchase of securities in his personal account on insufficient funds; caused a violation of Regulation T by purchasing stock in his personal account without resources to pay for such stock – Consent to censure and three year bar.

Appearances:

For the Division of Enforcement
Steven F. Korostoff, Esq.
Joseph Gibney, Esq.

For the Respondent
Gregory Shane Harris
pro se

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An Exchange Hearing Panel met to consider a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and Gregory Shane Harris, a former registered representative with U.S. Bancorp Piper Jaffray Inc. (the "Firm"). Without admitting or denying guilt, Mr. Harris consents to findings by the Hearing Panel that he:

- I. Engaged in conduct inconsistent with just and equitable principles of trade by purchasing stock for his securities account at his member firm employer, and thereafter, more than a week later, after he had failed to pay for the trade and the price of the stock had declined, canceling and re-billing the transaction to an account of a customer of his member firm employer without the authorization of such customer.
- II. Engaged in conduct inconsistent with just and equitable principles of trade by depositing a check in his personal account maintained at his member firm employer to pay for the purchase of securities, when he knew or should have known that the funds in his personal bank account were insufficient to cover the check.
- III. Caused a violation of Regulation T of the Board of Governors of the Federal Reserve System by purchasing stock in his securities account at his member firm employer when he lacked the financial resources to pay for such stock.

For the sole purpose of settling this disciplinary proceeding, the Division of Enforcement and Mr. Harris stipulate to certain facts, the substance of which follows:

Background and Jurisdiction

1. Gregory Shane Harris (“Harris”) was born in June 1975 and entered the securities industry in August 1998 as a registered representative (“RR”) trainee in the Omaha, Nebraska office of the Firm. Harris was approved as an RR by the Exchange in February 1999. Harris’ employment with the Firm terminated on or about October 3, 2001. He is not currently employed in the securities industry in a registered capacity.
2. On or about October 25, 2001, Enforcement received from the Firm a Form U-5 (Uniform Termination Notice for Securities Industry Registration), reporting the termination of Harris’ employment at the Firm. The Form U-5 reported that the Firm had conducted an internal review and found, among other things, that Harris: deposited into his personal account at the Firm a \$400,000 check that he knew was drawn on insufficient funds; and canceled and re-billed a trade from his personal account at the Firm to the account of a Firm customer.
3. By letter dated June 4, 2002, which Harris received, Enforcement notified Harris that it was investigating certain matters involving his conduct while he worked as an RR at the Firm and requested a detailed written explanation.
4. Thereafter, Harris provided information to Enforcement and appeared and testified in connection with Enforcement’s investigation.

Summary

5. Harris engaged in conduct inconsistent with just and equitable principles of trade by purchasing stock for his securities account at his member firm employer, and thereafter, more than a week later, after he had failed to pay for the trade and the price of the stock had declined, canceling and rebilling the transaction to an account of a customer of his member firm employer without the authorization of such customer. Harris also engaged in conduct inconsistent with just and equitable principles of trade by depositing a check in his personal account maintained at his member firm employer to pay for the purchase of securities, when he knew or should have known that the funds in his personal bank account were insufficient to cover the check. In addition, Harris caused a violation of Regulation T of the Board of Governors of the Federal Reserve System by purchasing stock in his securities account at his member firm employer when he lacked the financial resources to pay for such stock.

Violative Conduct

6. On or about September 17, 2001, Harris purchased for his personal margin account at the Firm a total of 50,000 shares of a particular stock at an average price of approximately \$17, for a total price of \$863,640 (the “Stock Purchase”).

7. At the time, Harris knew or should have known that he did not have the financial resources to make such a large purchase. The net equity in Harris' margin account was approximately \$5,000, and his net worth was approximately \$70,000.
8. On or about September 21, 2001, the settlement date for the Stock Purchase, Harris deposited a personal check, drawn on his account at a bank in the amount of \$400,000, into his personal margin account at the Firm to cover the initial margin requirement for the Stock Purchase.
9. At the time, Harris knew or should have known that he did not have sufficient funds in his personal checking account at the bank to cover the \$400,000 check. Harris only had approximately \$5,000 in his personal checking account at the bank. The \$400,000 check deposited by Harris was returned for insufficient funds.
10. Subsequent to the Stock Purchase, the price of the stock fell. By September 28, 2001, the price of the Stock had declined to approximately \$13 per share, and the value of the Stock Purchase had declined approximately \$212,695 or nearly 25 percent.
11. On September 28th, after he had failed to pay for the Stock Purchase, and after the price of the stock had declined, Harris canceled the Stock Purchase and re-billed the purchase to the account of a high net worth customer of the Firm, without this customer's authorization to do so.

DECISION

The Hearing Panel, in accepting the Stipulation of Facts and Consent to Penalty, found Mr. Harris guilty as set forth above by unanimous vote.

PENALTY

In view of the above findings, the Hearing Panel, by unanimous vote, imposed the penalty consented to by Mr. Harris of a censure and a bar for a period of three years from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization. In imposing this penalty, the Hearing Panel has taken into account that Mr. Harris has not been employed in the securities industry in the past three years, and that the penalty herein imposed is prospective from the time this decision becomes final.

For the Hearing Panel

Milton M. Stein
Hearing Officer