

NEW YORK STOCK EXCHANGE, INC.

EXCHANGE HEARING PANEL DECISION 05-76

June 16, 2005

KAREN KELSCH

NON-REGISTERED FORMER EMPLOYEE

* * *

Engaged in conduct inconsistent with just and equitable principles of trade in that she misappropriated funds belonging to another employee of her member firm organization. – Consent to censure and a permanent bar.

Appearances:

For the Division of Enforcement
Penny Rosenberg, Esq.
Josefina Martinez, Esq.

For Respondent
pro se

* * *

A Hearing Panel of the New York Stock Exchange, Inc. (“Exchange”) met to consider a Stipulation of Facts and Consent to Penalty entered into between the Exchange’s Division of Enforcement (“Enforcement”) and Karen Kelsch (“Respondent”), a non-registered employee with member firm UBS Securities, LLC (the “Firm”). Without admitting or denying guilt, Respondent consented to a finding by the Hearing Panel that she engaged in conduct inconsistent with just and equitable principles of trade in that she misappropriated funds belonging to another employee of her member firm organization.

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

Background and Jurisdiction

1. Respondent was born in June 1957. Her employment in the securities industry began in July 1990 when she was hired as a non-registered executive secretary by a member firm, where she remained until August 1991. Thereafter, she was hired as a non-registered executive assistant by another member firm and remained there until August 1995. In September 1995, she was hired as an administrative assistant in the New York City office of the Firm, where she was employed until her discharge in June 2003.
2. Respondent is presently unemployed.
3. On or about June 12, 2003, the Firm filed a Form RE-3 (the “RE-3”) with the Exchange reporting the termination of Respondent’s employment for utilizing another employee’s corporate credit card to make personal purchases without permission.

4. By letter dated January 30, 2004, which Respondent received, Enforcement advised her of its investigation and requested that she provide a written explanation to Enforcement.

Overview

5. During the period from May 2002 through June 2003, Respondent misappropriated approximately \$23,200 from DB, another employee of her member firm to whom she reported as an administrative assistant, by using DB's corporate credit card to make unauthorized purchases for herself. In addition, she diverted funds from checks written on DB's checking account and intended as payment of DB's corporate credit card bill to credit her own corporate credit card account.

Misappropriation

6. Beginning in May 2002 through June 2, 2003 (the "relevant period") Respondent reported to DB, a Managing Director and Global Chemicals Head in the Investment Banking Department.
7. During the relevant period, Respondent's duties included, among other things, making travel arrangements, processing travel and entertainment expense reports, reconciling corporate charge card statements, and making payments to corporate charge cards. Respondent performed these duties for DB.
8. Employees of the Firm were responsible for paying their corporate credit card bills directly and submitting expense reports to the Firm for reimbursement.
9. During the relevant period, DB maintained a personal checking account at a bank that he used to pay his corporate credit card bills. In her capacity as DB's administrative assistant, Respondent was the custodian of that checkbook.
10. On a monthly basis, Respondent presented a pre-completed check from DB's checkbook for DB's signature and forwarded the signed check to the credit card company for payment of DB's corporate credit card bill.
11. Firm policy prohibited personal use of the corporate credit card and DB never authorized Respondent to use his corporate credit card for her personal use. None of the unauthorized purchases she charged on DB's corporate credit card were expensed through the Firm.
12. During the relevant period, Respondent misappropriated approximately \$23,200 from DB as follows:
13. Respondent used DB's corporate credit card to make unauthorized purchases for herself totaling approximately \$19,700.
14. On two occasions, Respondent diverted funds from checks written on DB's checking account and intended as payment of DB's corporate credit card bill to credit her own corporate credit card account. The total amount diverted was \$3,500.

15. In August 2003, Respondent reimbursed DB the full amount.

DECISION

The Hearing Panel, in accepting the Stipulation of Facts and Consent to Penalty, found Respondent 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 Respondent of a censure and a permanent bar from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.

For the Hearing Panel

Peggy Kuo – Chief Hearing Officer
Panelists:
Dale E. Miller
Mary Lou Peters, Esq.