

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of

JEAN WALSH-JOSEPHSON,

Respondent.

SUMMARY ORDER TO  
PERMANENTLY BAR  
BROKER-DEALER AGENT  
REGISTRATION

NOTICE OF PROPOSED ORDER TO  
REVOKE BROKER-DEALER AGENT  
REGISTRATION

File No. S-233148 (LX)

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**I.**

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“Division”), having legal authority and jurisdiction to administer and enforce Wis. Stat. Ch. 551, the Wisconsin Uniform Securities Law (“Ch. 551”), and Wis. Admin. Code DFI-Sec, deems it necessary and appropriate in the public interest and for the protection of investors, to issue the following:

**II.**

After an investigation, the Division has presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

**A. Findings of fact.**

**Respondent**

1. Jean Walsh-Josephson (“Walsh-Josephson”) (CRD# 2736044) at all times material was a Wisconsin resident and licensed insurance intermediary. Walsh-Josephson was also a registered representative of Thrivent Investment Management, Inc. (“Thrivent”) (CRD# 18387) from July 30, 1999 to August 21, 2015.

**Conduct**

2. Walsh-Josephson passed the Series 6 examination on July 29, 1996 and passed the Series 63 examination on April 24, 1996.
3. Walsh-Josephson became licensed to sell health and life insurance products by the Wisconsin Office of Commissioner of Insurance (“OCI”) on April 23, 1993.
4. Walsh-Josephson was licensed by the Division as a registered representative of Thrivent from July 5, 1999 until September 3, 2015. Walsh-Josephson’s registration was suspended by Division order on August 20, 2015 pursuant to

Wis. Stat. § 551.412(4)(d) as the result of a court order issued against her by the Winnebago County circuit court on August 19, 2015.<sup>1</sup>

5. The Winnebago County court order prohibited Walsh-Josephson from acting as a financial advisor and from any contact with Thrivent's offices or records as conditions of the signature bond set on August 19, 2015.
6. To maintain her insurance licenses, Walsh-Josephson was required to complete 24 hours of continuing education every two years, of which three hours were required to be focused on insurance-related ethics.
7. To maintain her registration as a registered representative of Thrivent, Walsh-Josephson was required to complete FINRA (formerly NASD) Regulatory Element testing within 120 days of her second anniversary of initial registration, and every three years thereafter. The testing focused on compliance, regulatory, ethical, and sales practice standards for registered representatives of broker-dealers.
8. Each year she was employed by Thrivent, Walsh-Josephson was required to complete an annual attestation form acknowledging that she had read and understood Thrivent's compliance manual policies and procedures.
9. In each annual attestation completed from 2004 through 2015, Walsh-Josephson specifically acknowledged in writing that:
  - a. She understood that the Thrivent Investment Management Compliance Manual/Written Supervisory Procedures were her primary procedural guide for conducting securities business.
  - b. She understood that procedures were established to meet legal and regulatory requirements and were mandatory for all registered representatives of Thrivent, and agreed that she would conduct her activities in accordance with the procedures.
  - c. She understood that she was prohibited from selling or offering any financial products and/or investments except those offered and approved by Thrivent.
  - d. She understood that she was prohibited from commingling or depositing checks from customers with any other monies and from writing a check from her personal account on behalf of any customer.
10. In each annual attestation completed from 2012 through 2015, Walsh-Josephson specifically acknowledged in writing that:
  - a. She was responsible for following the Anti-Money Laundry compliance provisions set forth in the Thrivent Investment Management Compliance Manual and Written Supervisory Procedures, including its prohibitions on accepting cash from clients to purchase insurance or securities.

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<sup>1</sup> See *State of Wisconsin vs. Jean A Walsh Josephson*, No. 2015-CF-000385 (Wis. Cir. Ct. Winnebago Cty. August 19, 2015).

- b. She understood that she could only accept checks from clients made payable to Thrivent for the purchase of securities and/or insurance.
11. On September 21, 2010, one of Walsh-Josephson's clients ("Client A") brought approximately \$302,399 in cash to the Thrivent office where Walsh-Josephson worked. At the time, Client A was a 76 year old male Wisconsin resident whose wife had recently passed away.
  12. Contrary to Thrivent's policy prohibiting registered representatives from accepting any cash, Walsh-Josephson accepted Client A's money and counted it by hand to determine the total amount. Walsh-Josephson told Client A that she would invest it on his behalf and gave him a hand-written receipt.
  13. After receiving the client's cash, Walsh-Josephson did not invest the funds on Client A's behalf and instead misappropriated the money to her own personal use.
  14. On April 21, 2016, the Office of Commissioner of Insurance for the State of Wisconsin ("OCI") issued an order against Walsh-Josephson for misappropriating customer funds for her own personal financial gain and for falsifying documents related to insurance transactions.
  15. OCI found that Walsh-Josephson engaged in thirty-seven (37) instances of misrepresentation in violation of Wis. Stat. § 628.34(1), including twenty-nine (29) instances of falsifying and/or issuing false insurance documents and eight (8) instances of misappropriating funds totaling approximately \$508,203.09.
  16. OCI's order permanently revoked Walsh-Josephson's insurance agent license, ordered Walsh-Josephson to pay \$516,434.46 in restitution to her victims, and ordered Walsh-Josephson to forfeit \$1,053,406.18 to the State of Wisconsin.
  17. Walsh-Josephson did not petition for a rehearing pursuant to Wis. Stat. § 227.49 within 20 days of being served with OCI's final decision.
  18. Walsh-Josephson did not petition for judicial review of OCI's final decision pursuant to Wis. Stat. § 227.53 within 30 days of being served with OCI's final decision.
  19. On November 16, 2015, the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization for broker-dealers suspended Walsh-Josephson's registration as a registered representative of Thrivent.
  20. On January 28, 2016, FINRA permanently barred Walsh-Josephson from becoming registered with a broker-dealer in any capacity.

## **B. Conclusions of Law.**

### **Legal authority and jurisdiction**

21. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 551, and Wis. Admin. Code. DFI-Sec. Ch.4.

22. Per Wis. Stat. § 551.412(4)(m), a broker-dealer agent's registration may be revoked if the agent has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state.
23. Per § DFI Sec. 4.06(q), which defines dishonest or unethical business practices, an agent acts in a dishonest or unethical way in the securities business if she violates any rule of any securities exchange or national securities association of which she is a member with respect to any customer, transaction or business in Wisconsin.
24. Per FINRA Rule 2010, a member, in the conduct of business, shall observe high standards of commercial honor and just and equitable principles of trade.
25. Per FINRA Rule 2150, no member or person associated with a member shall make improper use of a customer's securities or funds.

### **Violations**

26. Walsh-Josephson is the subject of an order, issued after notice and the opportunity for hearing by Wisconsin's insurance regulator, which revoked her registration as an insurance agent. As a result, her broker-dealer agent registration may be revoked pursuant to Wis. Stat. § 551.412(4)(e)(5).
27. Walsh-Josephson is the subject of a FINRA order, issued after notice and the opportunity for hearing, which expels her from associating in any capacity with a FINRA member broker-dealer. As a result, her broker-dealer agent's registration may be revoked pursuant to Wis. Stat. § 551.412(4)(e)(3).
28. As set forth above, Walsh-Josephson engaged in dishonest and unethical business practices as defined under Wis. Admin. Code § DFI Sec. 4.06(q) and in violation of Wis. Stat. § 551.412(4)(m) when she misappropriated her clients' funds for her own personal use in violation of FINRA Rules 2010 and 2150.
29. The Division's suspension of Walsh-Josephson is effective pending the conclusion of Winnebago County Case No. 2015CF000385, but in light of the facts found in ¶¶ 2-20, it is in the public interest and necessary for the protection of investors to revoke Walsh-Josephson's registered representative registration and permanently bar her from becoming registered in Wisconsin in any capacity in the securities industry.

### **III.**

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to-wit Wis. Stat. §§ 551.412 and 551.604, and Wis. Admin. Code § DFI-Sec 4.09, to issue the following orders and notices:

#### **A. Summary orders issued pursuant to Wis. Stat. §§ 551.412 and 551.604(2).**

IT IS ORDERED summarily that Respondent Jean Walsh-Josephson is hereby permanently barred from becoming registered as an agent of a broker-dealer under Ch. 551, as the result of her conduct in violation of Ch. 551 as found above in ¶¶ 2-20. Such

conduct and the specific violations form a basis for a permanent bar pursuant to Wis. Stats. §§ 551.412(4)(e)(5), 551.412(4)(e)(3) and 551.412(4)(m).

IT IS FURTHER ORDERED summarily that Respondent Jean Walsh-Josephson, her agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on her behalf, are prohibited from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551, or successor statute, or properly exempted therefrom, pursuant to Wis. Stat. §§ 551.604(1)(a) and (2).

IT IS FURTHER ORDERED summarily that all exemptions from registration set forth in Ch. 551, that may otherwise apply to any sale or offer to sale of securities by Respondent Jean Walsh-Josephson, her successors, affiliates, controlling persons, and every entity and person directly or indirectly controlled or organized by or on her behalf, are hereby revoked, pursuant to Wis. Stat. §§ 551.604(1)(b) and (2).

IT IS FURTHER ORDERED summarily that Respondent Jean Walsh-Josephson, her agents, servants, employees, and every entity or person directly or indirectly controlled or organized by or on her behalf, are prohibited from violating Ch. 551, or any successor statute that might otherwise apply to the offer or sale of a security by Respondent Jean Walsh-Josephson, pursuant to Wis. Stat. § 551.604(1)(a).

IT IS FURTHER ORDERED that the above summary orders are effective on the issuance and effective date below, pursuant to Wis. Stat. §§ 551.412(6) and 551.604(2).

**B. Notice of proposed orders.**

IT IS PROPOSED that an order be issued revoking the broker-dealer agent registration for Walsh-Josephson, pursuant to Wis. Stat. §§ 551.412(2) and (7).

IT IS FURTHER PROPOSED that the above proposed order be imposed as final in a final order issued by the Administrator, pursuant to Wis. Stat. §§ 551.412(2) and (7).

**C. Service of order.**

IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec 8.06.

PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail. You are advised that any willful violation of an Order issued by the Division under Wis. Stats. Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

**D. Notice of hearing rights.**

PLEASE TAKE NOTICE that you have the right to request a hearing. Every request for a hearing shall be in the form of a petition filed with the Division, pursuant to Wis. Admin. Code § DFI-Sec 8.01. A petition for a hearing to review an order shall:

- (1.) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and
- (2.) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.

PLEASE TAKE FURTHER NOTICE that, within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stat. §§ 551.412(6), 551.604(2) and (3).

PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary and proposed orders, including the imposition of a civil penalty or requirement for payment of restitution, disgorgement, interest, or the costs of investigation sought in a statement in the order, becomes final by operation of law, pursuant to Wis. Stat. §§ 551.412(6) and 551.604(2).

Issued at Madison, Wisconsin, and effective this 30<sup>th</sup> day of September, 2016.

(SEAL)

  
Leslie M. Van Buskirk

Leslie M. Van Buskirk  
Administrator  
Division of Securities

State of Wisconsin  
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