

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner)
of Banking and Insurance, State)
of New Jersey, to suspend, revoke,)
and/or refuse to renew the insurance license)
of Demitrios Hallas. Ref. No. 1281931.)

**ORDER
TO
SHOW CAUSE**

To: Demitrios Hallas
61 Fountain Place
Poughkeepsie, New York 12603-2726

THIS MATTER, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Demitrios Hallas ("Hallas" or "Respondent") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Hallas was formerly licensed as a resident insurance producer in the State of New Jersey, pursuant to N.J.S.A. 17:22A-32(a), until August 31, 2016, when his license expired; and

WHEREAS, Hallas is subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 ("Producer Act"), and the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to 11:17D-2.8; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(d), the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the

Producer Act and Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes against any person who is under investigation for or charged with a violation of the Producer Act or Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes even if the person's license or registration has been surrendered or has lapsed by operation of law; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner or of another state's insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(4), an insurance producer shall not improperly withhold, misappropriate, or convert any monies or properties received in the course of doing insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(6), an insurance producer shall not have been convicted of a felony or crime of the fourth degree or higher; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(7), an insurance producer shall not have admitted or have been found to have committed any unfair insurance trade practice or fraud; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or financial irresponsibility in the conduct of insurance business in this State or elsewhere; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(15), an insurance producer shall not intentionally withhold material information or make a material misstatement in an application for a license; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(18), an insurance producer shall not fail

to notify the commissioner within 30 days of his conviction of any crime, indictment, or the filing of any formal criminal charges, or the suspension or revocation of any insurance license or authority by a state, other than this State, or the initiation of formal disciplinary proceedings in a state, other than this State, affecting the producer's insurance license, or fail to obtain the written consent pursuant to sections 1033 and 1034 of Title 18, United States Code (18 U.S.C. 1033 and 1034), or fail to supply any documentation that the commissioner may request in connection therewith; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47(b), within thirty days of the initial pretrial hearing date, an insurance producer shall report to the Commissioner any criminal prosecution of the producer taken in any jurisdiction, which report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents; and

WHEREAS, pursuant to N.J.A.C. 11:17E-1.3(a), no person having been convicted of a felony involving breach of trust or dishonesty shall be employed in the business of insurance in this State in any capacity without having obtained a waiver from the Commissioner or her designee in accordance with 18 U.S.C. §1033 and N.J.A.C. 11:17E-1.3; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.2, a felony means, among other things, any crime identified as an offense of the first, second, third or fourth degree pursuant to N.J.S.A. 2C:1-4 and 43-1; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(19), an insurance producer shall not fail to notify the Commissioner within 30 days of the final disposition of any formal disciplinary proceedings initiated against the insurance producer, or disciplinary action taken against the producer, by the Financial Industry Regulatory Authority ("FINRA"), any successor organization, or other similar non-governmental regulatory authority with statutory authority to create and

enforce industry standards of conduct, or of any other administrative actions or criminal prosecutions, as required by sections 15 and 22 of P.L.2001, c.210 (C.17:22A-40 and 17:22A-47), or fail to supply any documentation the Commissioner may request in connection therewith; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47(c), an insurance producer shall report to the Commissioner any disciplinary action taken against the insurance producer, or any formal disciplinary proceedings initiated against the producer, by FINRA, any successor organization, or other similar non-governmental regulatory authority with statutory authority to create and enforce industry standards of conduct, within 30 days of the final disposition of the matter. This report shall include a copy of the order, consent order or other relevant legal documents; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a), the Commissioner may place on probation, suspend, revoke or refuse to issue or renew an insurance producer's license for violating the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-45(c), any person violating the Producer Act is subject to a penalty not exceeding \$5,000.00 for the first offense and not exceeding \$10,000.00 for each subsequent offense; moreover, the Commissioner may order restitution of moneys owed any person and reimbursement of costs of the investigation and prosecution; and

COUNT 1

IT APPEARING, that Hallas misappropriated money received from client, K.F. in the course of doing insurance business, in violation of N.J.S.A. 17:22A-40(a)(2), (4), (7), (8), (16); and

COUNT 2

IT FURTHER APPEARING, that on June 23, 2014, Hallas consented to an Order Accepting Offer of Settlement with FINRA for making unsuitable investment recommendations to his clients; and

IT FURTHER APPEARING, FINRA charged Hallas a fine of \$5,000.00 and restitution of \$6,110.00 and suspended him for 30 days; and

IT FURTHER APPEARING, Hallas failed to notify the Department of Banking and Insurance ("Department") of this FINRA settlement, in violation of N.J.S.A. 17:22A-40(a)(2), (7), (8), (19); and

COUNT 3

IT FURTHER APPEARING, that on September 8, 2016, Hallas submitted an application to renew his insurance producer license in the State of New Jersey; and

IT FURTHER APPEARING, Hallas did not disclose his FINRA sanctions and represented that he was not the subject of any prior administrative proceedings, in violation of N.J.S.A. 17:22A-40(a) (2), (8), (15), (16), (19); and

COUNT 4

IT FURTHER APPEARING, that on April 25, 2017, the United States Securities and Exchange Commission ("SEC") filed a civil complaint against Hallas in the United States District Court for the Southern District of New York, alleging that he sold unsuitable leveraged products without a reasonable basis and misappropriated \$170,750.00 from a client; and

IT FURTHER APPEARING, that on September 27, 2017, the District Court entered a corrected default judgment against Hallas, imposing a civil penalty of \$260,193.39, an equal amount of disgorgement, and prejudgment interest; and

IT FURTHER APPEARING, Hallas did not disclose the SEC complaint, the resulting judgment, or the sanctions imposed by the SEC to the Department, in violation of N.J.S.A. 17:22A-40(a) (2), (8), (15), (16), (19); and

COUNT 5

IT FURTHER APPEARING, that on November 2, 2017, FINRA permanently barred Hallas from associating with any FINRA member firm in any capacity because he recommended an unsuitable security transaction to a former client; and

IT FURTHER APPEARING, Hallas failed to notify the Department of the FINRA decision, in violation of N.J.S.A. 17:22A-40(a) (2), (8), (19); and

COUNT 6

IT FURTHER APPEARING, that on October 24, 2018, Hallas pled guilty to third-degree grand larceny, a felony offense, in the Superior Court of Westchester County, New York; and

IT FURTHER APPEARING, Hallas admitted to stealing \$170,750.00 from a client, in violation of N.J.S.A. 17:22A-40(a)(2), (4), (6), (7), (8), (16), (18); and

IT FURTHER APPEARING, that Hallas failed to advise the Commissioner of the arrest and subsequent conviction within 30 days, in violation of N.J.S.A. 17:22A-40(a)(18) and N.J.S.A. 17:22A-47(b); and

COUNT 7

IT FURTHER APPEARING, that on February 22, 2019, the SEC barred Hallas from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

IT FURTHER APPEARING, the SEC barred Hallas from participating in any offering of penny stock; and

IT FURTHER APPEARING, that Hallas did not report the administrative action taken by the SEC to the Commissioner within 30 days of the final disposition of the matter, in violation of N.J.S.A. 17:22A-40(a)(19) and N.J.S.A. 17:22A-47(c); and

NOW, THEREFORE, IT IS on this 8th day of January, 2023

ORDERED, that Respondent appear and show cause why his New Jersey insurance producer license should not be suspended or revoked pursuant to N.J.S.A. 17:22A-40(a); and

IT IS FURTHER ORDERED, that Respondent appear and show cause why the Commissioner should not assess a civil penalty of up to \$5,000.00 for the first violation and up to \$10,000.00 for each subsequent violation of the Producer Act and order Respondent to pay restitution of moneys owed to any person pursuant to N.J.S.A. 17:22A-45(c); and

IT IS FURTHER ORDERED, that Respondent appear and show cause why, in addition to any other penalty, he should not be required to reimburse the Department of Banking and Insurance for the cost of the investigation and prosecution as authorized pursuant to N.J.S.A. 17:22A-45(c); and

IT IS PROVIDED, that Respondent has the right to request an administrative hearing, to be represented by counsel or other qualified representative, at his own expense, to take testimony, to call or cross-examine witnesses, to have subpoenas issued, and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED, that unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by Respondent, and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Downtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, New Jersey

08625, or by faxing the hearing request to the Department at (609) 292-5337. A copy of the request for a hearing shall also be sent to Deputy Attorney General Jessica Lugo, Banking and Insurance Section, 25 Market Street, P.O. Box 117, Trenton, New Jersey 08625-0117. The request shall contain the following:

- (a) Respondent's full name, address and daytime telephone number;
- (b) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- (c) A specific admission or denial of each fact alleged in this Order to Show Cause. Where Respondent has no specific knowledge regarding a fact alleged in the Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (d) A statement requesting the hearing.


Justin Zimmerman
Acting Commissioner