

Disciplinary and Other FINRA Actions

Firm Fined, Individuals Sanctioned

H.C. Wainwright & Co., LLC ([CRD #375](#), New York, New York), John Wesley Chambers ([CRD #1863864](#), Bedford, New York), and Robert Eugene Kristal ([CRD #4269940](#), Dallas, Texas)

September 23, 2022 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was censured, fined \$1,500,000 and required to certify that it has revised its supervisory systems, policies, procedures and trainings related to its compliance with Section 17(a) of the Securities Exchange Act of 1934 (Exchange Act), Rule 17a-4 thereunder, and FINRA Rules 4511, 3110(a) and (b), and 2241(b)(1) and (b)(2)(G). Chambers was fined \$15,000 and suspended from association with any FINRA member in all capacities for 30 days. Kristal was fined \$15,000 and suspended from association with any FINRA member in all capacities for 30 days. Without admitting or denying the findings, the firm, Chambers and Kristal consented to the sanctions and to the entry of findings that they failed to preserve business-related text messages. The findings stated that firm employees, including Chambers and Kristal, communicated about firm business through text messages using their personal cell phones. These text messages included communications between firm employees, as well as with third parties, including issuers and firm clients. The firm did not obtain or preserve copies of these communications at the times they were exchanged. The firm's failure to preserve business-related communications sent outside of its approved communications platforms prevented FINRA from fully investigating matters in two of its investigations. Nearly all of the text messages between Chambers and Kristal were deleted before FINRA requested them and thus could not be provided to FINRA in connection with its investigation into whether the firm's investment banking personnel improperly influenced the firm's research coverage. The findings also stated that the firm failed to reasonably supervise its employees' business-related text messages and its employees' email communications. The firm's written supervisory procedures (WSPs) did not require a review of text messages. Although the firm's management knew that firm employees were using text messaging for business-related communications, the firm did not take reasonable steps to enforce its WSPs prohibiting the use of text messaging for such communications. At the same time, the firm took no steps to preserve or review its employees' text messages and therefore failed to reasonably supervise such communications. Further, the firm failed to designate who would conduct and supervise the reviews of email communications, when the reviews were to be conducted, what the reviewers would be reviewing for, and how and under what circumstances any potentially concerning email should be escalated by

Reported for November 2022

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

the reviewer to a supervisor. As a result, the firm reviewed a small percentage of the emails sent or received, did not, in many instances, conduct the review until more than a year after an email was sent or received, and elevated a de minimis number of emails for supervisory review. The findings also included that the firm failed to enforce its written policies prohibiting business-related written communications, and unchaperoned business-related telephone communications between research and non-research personnel. Chambers and Kristal breached the firm's information barrier, often exchanging business-related text messages with each other using their personal cellphones. In addition, Chambers and Kristal made numerous, unchaperoned, business-related phone calls to each other using their personal cell phones. Some of these text messages and calls occurred during a period in which the firm's research department was preparing research coverage of particular issuers while investment banking personnel were simultaneously seeking investment banking business from the same issuers. These unsupervised communications created a risk that the firm's interest in attracting and maintaining investment banking business could inappropriately influence its research analysts.

Chambers' suspension was in effect from October 17, 2022, through November 15, 2022. Kristal's suspension was in effect from October 3, 2022, through November 1, 2022. ([FINRA Case #2017055977301](#))

Firms Fined

Acorns Securities, LLC ([CRD #168172](#), Irvine, California)

September 2, 2022 – An AWC was issued in which the firm was censured, fined \$200,000 and required to certify that it has implemented supervisory procedures and WSPs reasonably designed to achieve compliance with the FINRA rules cited in the AWC. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sent account statements to customers that inaccurately stated that the customers held a negative quantity of shares in particular exchange traded funds (ETFs) with a negative value, which created the potential misimpression that the customers held short positions in those ETFs, despite receiving warnings from FINRA and another regulator. The findings stated that in actuality, short selling is not a feature that is available on the firm's platform and these customers did not hold any positions in the ETF, but rather had withdrawn more cash from their firm accounts than they had deposited. The account statements did not contain those negative cash balances, which ranged from \$0.01 to approximately \$9,500, and which the firm did not pursue customers to collect. The account statements for the customers also contained inaccurate information pertaining to investments in ETFs that the customers did not hold.

These misstatements created the potential misimpression that the customers could sustain additional losses or gains depending upon the value of the ETFs, even though they did not hold any current investments in these ETFs. The firm later initiated a remediation process. However, when the firm completed certain steps to enhance its procedures, it sent additional account statements that either inaccurately stated that the customers' accounts contained negative balances of ETF shares or alternatively reflected inaccurate cash balances. The findings also stated that the firm maintained inaccurate books and records by creating and maintaining internal cash and securities reports that stated that customers' accounts contained negative balances of ETF shares, rather than stating that customers had negative cash balances, or reflecting inaccurate cash balances. The findings also included that the firm failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rules 2210 and 4511 regarding accurate customer communications and internal cash and securities reports. The firm prepared multiple, distinct reports that required manual compilation to accurately identify the amount of cash held by the firm for a customer on a given day. The combined report included only accounts with positive cash balances. Accounts with negative cash balances appeared on a separate report that inaccurately stated that these accounts had negative balances of ETF shares. Despite being aware that its internal records inaccurately reported negative cash balances and negative ETF share balances, the firm did not create or maintain an internal report recording cash owed by customers to the firm. Further, the firm lacked a system, including WSPs, for reviewing or confirming the accuracy of customer account statements or for correcting any errors in those statements. After additional warnings from FINRA, the firm implemented an automatic process to correct internal records that inaccurately reported that customers' accounts contained negative balances of ETF shares and initiated a monthly review for accuracy of a sample of account statements that the firm prepared for customer accounts with negative balances. However, the review process was not reasonably designed to prevent the firm from continuing to deliver some account statements that inaccurately reported negative ETF share balances. The firm's written procedures did not identify the criteria to be used to select statements for review or the steps to be taken to identify and correct inaccurate information. The firm was aware that it was continuing to provide certain customers with inaccurate account statements, but it did not conduct additional reviews. Further, when the firm completed certain steps to enhance its procedures, it continued to issue account statements to customers containing inaccurate cash balances and inaccurately stating that customers' accounts contained negative balances of ETF shares. ([FINRA Case #2019064308401](#))

Sanctuary Securities, Inc. fka David A. Noyes & Company ([CRD #205](#), Indianapolis, Indiana)

September 2, 2022 – An AWC was issued in which the firm was censured, fined \$60,000 and ordered to pay \$48,000, plus interest, in partial restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it negligently failed to tell investors in offerings related to an alternative asset management firm that the issuers failed to timely make required filings with the Securities and Exchange Commission (SEC). The findings stated that the firm sold limited partnership interests in private sector companies after being notified that the delivery of the issuers' audited financial statements would be delayed pending the completion of a forensic audit. The principal value of the sales totaled \$600,000 and the firm received a total of \$48,000 in commissions from the sales. In connection with these sales, however, the firm's representatives did not inform the customers that the issuers had not timely filed their audited financial statements with the SEC or the reasons for the delay. The delay in filing audited financial statements was material information that should have been disclosed. Subsequently, the SEC filed a complaint against the alternative asset management firm and other defendants alleging, among other things, that the defendants engaged in securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The United States Department of Justice also brought criminal charges against the alternative asset management firm's founder and chief executive officer (CEO) and two other executives, charging, among other things, securities fraud, mail fraud and wire fraud. ([FINRA Case #2019061213701](#))

Canaccord Genuity Wealth Management (USA) Inc. ([CRD #7449](#), Vancouver, Canada)

September 8, 2022 – An AWC was issued in which the firm was censured, fined \$200,000 and required to certify that it has established and implemented supervisory systems and procedures reasonably designed to address and remediate the issues identified in the AWC. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with its suitability obligations in connection with sales of private placements. The findings stated that the firm's WSPs lacked guidance to representatives and supervisors concerning the kinds of communications that constituted a recommendation in connection with sales of private placements; lacked procedures informing supervisors about what to review to determine whether representatives correctly identified sales of private placements as recommended or non-recommended; and did not address retention of documents reflecting whether a private placement was recommended. The firm also failed to provide guidance concerning the suitability review that should occur prior to a recommendation to invest in a private placement. In addition, the firm established a policy requiring an email review that was not reasonably designed to identify instances when recommendations had been made.

In certain instances, the firm failed to identify that a recommendation had been made as a result of the representative bringing the investment to the attention of the customer and the firm, in turn, failed to conduct a supervisory review to assess whether there was a reasonable basis for the recommendation. In other instances, the firm was aware that a transaction had been solicited yet it failed to reasonably document that a recommendation had been made or its suitability analysis. Rather, the firm advised customers in forms it provided them that the firm has conducted no due diligence in connection with the offerings. The findings also stated that the firm failed to timely file required documents with FINRA related to private placements sold by its registered representatives. The findings also included that the firm allowed an individual who was registered with the firm's Canadian affiliate to engage in the firm's United States securities business without being registered. The non-registered person emailed potential investors in the United States about an issuer with whom the non-registered person's spouse was affiliated, and subsequently recommended that a potential investor participate in the offering and open an account at the firm for that purpose. The firm became aware of this activity but failed to take reasonable steps to either restrict the individual's activities or register him. ([FINRA Case #2018059630401](#))

Glendale Securities, Inc. ([CRD #123649](#), Sherman Oaks, California)

September 9, 2022 – An AWC was issued in which the firm was censured, fined \$50,000 and ordered to retain an independent consultant to conduct a comprehensive review of the reasonableness of the firm's policies, systems, procedures (written and otherwise), and training related to compliance with FINRA Rule 3310 and the requirements of the Bank Secrecy Act and regulations promulgated thereunder for monitoring, identifying, investigating, documenting, and responding to red flags of suspicious trading activity and potential market manipulation. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to develop and implement an anti-money laundering (AML) compliance program reasonably designed to detect and report suspicious transactions. The findings stated that the firm lacked reasonable written AML procedures for the surveillance of potentially suspicious transactions in customer accounts. The firm's written AML procedures failed to identify the need to monitor for sustained customer trading activity representing a significant portion of the daily trading volume in a thinly-traded or low-priced security, and customer trading activity with no discernable purpose or that appears to lack business sense. The AML procedures also failed to describe how supervisors were supposed to conduct their monitoring or the frequency of such monitoring. In addition, the written AML procedures did not contain any other information about documenting the investigation of potentially suspicious trading activity. Moreover, the firm's manual review of the daily trade blotter to monitor for suspicious trading activity was unreasonable because it did not reflect patterns of trading across accounts or across multiple days. The blotter also did not reflect coordinated trading between firm

accounts, sustained customer trading activity representing a significant proportion of the daily trading volume in a thinly-traded or low-priced security, or trading resulting in losses that might indicate a lack of discernable purpose and business sense or an intent to artificially support the price of a security. In addition, the firm's new set of exception reports that related to monitoring for suspicious trading only alerted it to evidence of marking the open, marking the close and suspicious order cancellations. The firm had no exception reports to alert it to evidence of other forms of suspicious and potentially manipulative trading. Further, the firm's written AML procedures did not contain any reference to these new exception reports or provide any information about how they should be used. The findings also stated that the firm failed to reasonably detect, investigate, and respond to potentially suspicious transactions by a corporate customer. The customer made numerous purchases of small blocks of the stock of an affiliated holding company that lacked indications of business sense. The customer's purchases of the issuer's stock consistently comprised the majority of total market volume for the issuer and these purchases occurred at a time when there was minimal market interest in the issuer, no positive issuer developments, and while both the issuer and the customer were the subject of negative news and reported negative cash flow on their financial balance sheets. On multiple trading days, the customer placed a series of small buy orders at increasing prices, and the issuer's closing price improved from the prior trading day. The customer also engaged in multiple transactions with other firm customers, including accounts controlled by firm principals, on trading days when that activity comprised the majority of total market volume for the issuer. On those days, the issuer's closing price improved from the prior trading day. ([FINRA Case #2019062351401](#))

MM Global Securities, Inc. ([CRD #2509](#), New York, New York)

September 9, 2022 – An AWC was issued in which the firm was censured, fined \$450,000 and prohibited from providing market access to customers for two years and engaging in any business in which the firm provides market access to customers unless and until it certifies that it revised and enhanced its AML and supervisory procedures related to detecting and investigating suspicious trading activity and potential market manipulation. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and implement an AML compliance program reasonably designed to detect and cause the reporting of suspicious activity. The findings stated that the firm's AML procedures did not identify any types of manipulative trading, such as wash trades, matched orders, spoofing, or layering, and the procedures did not describe how the firm would detect manipulative trading. In addition, the firm never created parameters, including for trade review and wire transfers, to determine whether a transaction lacks financial sense or is suspicious because it is an unusual strategy for that customer, and the procedures did not describe how any parameters should be set. Further, the firm's AML procedures did not identify any exception reports

to detect unusual transactions, did not describe how supervisors should use any reports, or what activity should trigger further action by supervisors or the firm. Moreover, the firm did not use any exception reports or automated tools to detect suspicious activity, such as cancelled orders, patterns of trading across accounts or multiple days, coordinated trading, trading resulting in losses that might indicate a lack of rational economic motive, and other indicia of common forms of market manipulation. Instead, the firm relied almost exclusively on a manual review of the daily trade blotter to identify suspicious trading, which was not reasonable given the volume and complexity of trading by the firm's customers. As a result of the firm's failure to implement a reasonably designed AML program, the firm failed to detect, investigate, and respond to red flags of suspicious activities. The firm also failed to investigate additional suspicious activity, even after that activity was brought to its attention. The findings also stated that the firm failed to implement its Customer Identification Program (CIP) with respect to retail and institutional customer accounts located in foreign jurisdictions. The firm only collected basic information such as customer name, telephone number, address, and government-issued identification, and conducted an OFAC check when opening accounts. The firm failed to implement its CIP for at least four individual customers located in China and for a customer, which was also located in a jurisdiction that the U.S. designated as a major money laundering jurisdiction. The findings also included that the firm failed to reasonably supervise for potentially manipulative trading. The firm's procedures were not reasonably designed to detect potentially manipulative transactions, including patterns of such transactions over time. As a result, the firm failed to detect potential market manipulation by the customer, including matched orders in a company's stock, and by the additional customers who sold the company's stock on a single day. In addition, the firm failed to reasonably address the potential market manipulation that was brought to its attention by FINRA and the firm's routing and clearing broker. This included the firm unreasonably relying on unverified representations from the customer about its steps to prevent potential market manipulation in the future. FINRA found that the firm failed to preserve and maintain certain instant messages and email communications of its registered representatives in violation of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder. The representatives used an instant messaging service to communicate with each other and another firm regarding securities-related business. The representatives also used their personal email addresses to discuss securities-related firm business with the other firm. In addition, one of the firm's representatives used a non-firm email address that the company provided to him to communicate with the other firm. The emails and instant messages with the other firm concerned the referral of prospective investors in the company's Initial Public Offering (IPO) to the other firm and included emails containing applications for the investors to open new accounts at the other firm. The firm was aware of these communications but took no steps to preserve them. ([FINRA Case #2019062623001](#))

SagePoint Financial, Inc. ([CRD #133763](#), Phoenix, Arizona)

September 9, 2022 – An AWC was issued in which the firm was censured, fined \$35,000 and ordered to pay \$51,830.24, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a reasonable supervisory system and failed to establish, maintain, and enforce WSPs reasonably designed to supervise unsuitable trading on margin. The findings stated that the firm’s first line supervisors were not responsible for reviewing new account documents or approving margin or options accounts, and the firm’s transaction review system did not provide first line supervisors any indication of whether transactions were done on margin. Further, although the firm ran a quarterly surveillance report, which alerted the surveillance department to margin accounts with high debit balances, significant margin interest, and high commissions, among other potential red flags, the surveillance department failed to reasonably review and resolve these alerts in connection with at least two senior customer accounts. As a result, the customers paid \$51,830.24 in commissions, fees, and margin interest. ([FINRA Case #2019061612601](#))

Vision Brokerage Services, LLC ([CRD #47927](#), Stamford, Connecticut) and Vision Financial Markets LLC ([CRD #142271](#), Stamford, Connecticut)

September 16, 2022 – An AWC was issued in which the firms were censured, fined, jointly and severally, a total of \$850,000, of which \$95,625 is payable to FINRA and required to retain an independent consultant to conduct a comprehensive review of the reasonableness of the firms’ policies, systems, procedures (written and otherwise), and training relating to their compliance with the applicable rules identified in the AWC. Without admitting or denying the findings, the firms consented to the sanctions and to the entry of findings that they failed to develop and implement an AML program reasonably designed to achieve and monitor the firms’ compliance with the Bank Secrecy Act and the implementing regulations thereunder. The findings stated that the firms did not establish and implement policies and procedures tailored to their business, which could be reasonably expected to detect and cause the reporting of suspicious activity arising from transactions and money movements in domestic and foreign-based retail accounts. The firms’ written AML procedures were not reasonably designed for the surveillance of potentially suspicious trading and money movements in customer accounts. Although the firms’ written procedures identified exception reports for them to use to assist with identifying suspicious activity, the procedures did not describe how supervisors should use these reports, or what activity should trigger further action by supervisors or the firms. The firms’ procedures also did not identify certain red flags for manipulative trading that were relevant to their business, such as a customer placing frequent orders on one side of the market and then executing orders on the opposite side of the market in the same security, which can be indicative of spoofing and layering. Likewise, although the firms’ procedures required

the firms to create, and review a watch list of high-risk clients, the procedures did not describe what information the watch list should contain or state how often the firms should monitor the list for accuracy or completeness. Further, the firms relied almost exclusively on a manual review of the daily trade blotter and money movement reports to identify suspicious trading. This was unreasonable given the volume and complexity of trading by the firms' customers and because the blotter did not reflect patterns of trading across accounts or across multiple days. Indeed, even for the accounts that the firms identified as high-risk and placed on the watch list, the firms primarily relied on a manual review of a portion of the trade blotter that reflected trades in only some of the accounts placed on the watch list. Moreover, even after the firms implemented an automated surveillance system from a third-party vendor, they did not reasonably monitor order data, and continued to fail to timely detect and investigate certain potentially suspicious activity. The findings also stated that the firms failed to timely or reasonably detect, investigate, and respond to numerous potentially suspicious activities by retail customers. The findings also included that the firms failed to reasonably supervise for potentially manipulative trading. The review of those alerts for potentially suspicious trading in customer accounts was unreasonable. The firms failed to dedicate sufficient resources to the review of the alerts, did not investigate the activity that generated certain categories of alerts because the firms unreasonably concluded that these types of alerts did not indicate potentially manipulative activity and relied on a manual review of data to detect whether alerts regarding potentially manipulative trading reflected a broader pattern of manipulation by certain traders. FINRA found that Vision Financial failed to establish reasonable market access controls and procedures. Vision Financial did not implement any erroneous order controls that took into account the individual characteristics of a security, such as an average daily trading volume control. In addition, Vision Financial did not review the reasonableness of its erroneous order controls on a regular basis. As a result, Vision Financial violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5(b) and (c) thereunder. ([FINRA Case #2019061702701](#))

IBN Financial Services, Inc. ([CRD #42360](#), Liverpool, New York)

September 20, 2022 – An AWC was issued in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to ensure it evaluated whether its registered persons' proposed outside business activities (OBAs) constituted outside securities activities. The finding stated that the firm knew that two of its registered representatives were engaged in OBAs that involved investment funds and private placement offerings, but it did not evaluate whether the activity constituted an outside securities activity. The registered persons submitted OBA forms disclosing their ownership and management of investment funds that were actively involved in private placement offerings. As owners of the funds' managers, the registered persons were entitled to and received a management fee. The firm

received and reviewed the private placement memoranda associated with the investment funds and approved the representatives' request to engage in the OBA. The firm also filed Uniform Applications for Securities Industry Registration or Transfer (Form U4s) on behalf of the registered persons, disclosing their participation in private placement offerings and investment funds. Although the firm understood that the registered persons' OBAs involved private placement offerings and were investment-related, it failed to evaluate whether the proposed activities would interfere with or otherwise compromise the registered persons' responsibilities to the firm or the firm's customers or be viewed as part of the firm's business. The firm also failed to evaluate whether the registered persons' outside activities with the funds should be restricted or prohibited, or whether the funds should have been treated as outside securities activity and any transactions recorded on the firm's books and records. The firm's failure to evaluate whether the funds should have been subject to the requirements of FINRA Rule 3280 allowed the registered persons to raise funds from individual investors, none of whom were firm customers. ([FINRA Case #2022075812301](#))

Crescent Securities Group, Inc. ([CRD #114993](#), Plano, Texas)

September 26, 2022 – An AWC was issued in which the firm was censured, fined \$30,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 2121. The findings stated that a registered representative at the firm bought and sold in excess of \$161 million of inverse floating rate collateralized mortgage obligations, which they sold to institutional customers. The firm failed to apply the criteria of FINRA Rule 2121.01 to the representatives' sales of inverse floaters. Instead, the firm reviewed the markups and markdowns of the inverse floaters only to verify that they were five percent or below. The firm did not conduct a review of the rule factors for the markups and markdowns it charged in each of these transactions. By failing to conduct the fair pricing analysis, the firm failed to reasonably determine whether the inverse floater transactions were priced fairly. ([FINRA Case #2019061634801](#))

Garden State Securities, Inc. ([CRD #10083](#), Red Bank, New Jersey)

September 27, 2022 – An AWC was issued in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it solicited the purchase of a security in violation of Rule 101 of SEC Regulation M of the Exchange Act. The findings stated that the firm acted as the exclusive placement agent for the distribution of securities that were subject to a restricted period pursuant to Rule 101. During the restricted period, a firm registered representative solicited two customer purchases of these securities. The findings also stated that the firm failed to establish, maintain, and

enforce a supervisory system reasonably designed to achieve compliance with Rule 101. The firm did not have a system for tracking when a restricted period ended for offerings in which the firm participated. In addition, the firm did not have a system for verifying whether it was appropriate to remove a security from the firm's restricted list. ([FINRA Case #2018058892501](#))

Wedbush Securities Inc. ([CRD #877](#), Los Angeles, California)

September 27, 2022 – An AWC was issued in which the firm was censured, fined a total of \$900,000, of which \$450,000 is payable to FINRA and required to certify that its supervisory systems and written procedures are reasonably designed to achieve compliance with Rules 204(a) and (c) of Regulation SHO of the Exchange Act. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it did not comply with Rules 204(a), (b) and (c) of Regulation SHO. The findings stated that the firm failed to timely close out fail to deliver (FTD) positions due to the firm failing to timely borrow shares, recall shares that were out on loan or otherwise acquire shares and deliver them in accordance with the requirements of Rule 204(a). In addition, on certain occasions, the firm failed to place a security in which it had failed to obtain a close-out into the penalty box, as required by Rule 204(b) and to send the notice that the firm had a position in any equity security that had not been closed out, as required by Rule 204(c). The findings also stated that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with Rules 204(a) and (c). The firm's system for complying with Rule 204(a) first relied on an automated in-house system to attempt to borrow or recall shares necessary to effectuate a close-out, and then, when the firm did not obtain such shares, on a manual process to obtain the shares. However, the firm's WSPs included only summary instructions to close out FTDs and failed to offer reasonable guidance on the steps that firm staff needed to take to execute buy-ins if the automated process did not result in closing an FTD. The firm also failed to effectively delegate responsibility for ensuring that it was closing out each FTD. The firm was on notice that its process for closing out FTDs was unreasonable because in prior FINRA exams, FINRA identified FTDs to the firm that were not properly closed out, which the firm acknowledged, but the firm failed to institute effective remedial measures to its supervisory system in response to these red flags. In addition, the firm did not maintain any WSPs for complying with Rule 204(c). ([FINRA Case #2019061872201](#))

Morgan Stanley & Co. LLC ([CRD #8209](#), New York, New York)

September 28, 2022 – An AWC was issued in which the firm was censured and fined a total of \$500,000, of which \$120,298 is payable to FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it, as a manager, failed to submit, submitted untimely, and/or submitted inaccurate and/or incomplete restricted period notifications and/or

trading notifications with FINRA. The findings stated that those notifications, among other things, failed to identify all of the syndicate members participating in relevant offerings. The findings also stated that as a result, the firm failed to establish and maintain a system to supervise, including WSPs, reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Specifically, the firm's system was not reasonably designed to verify the accuracy of certain elements of Regulation M filings. The firm took several steps to correct the issues, including enhancing its supervisory systems and procedures regarding compliance with Regulation M and FINRA Rule 5190. ([FINRA Case #2018056929901](#))

Lightspeed Financial Services Group LLC fka Lime Brokerage, LLC ([CRD #104369](#), Morristown, New Jersey)

September 30, 2022 – An AWC was issued in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted options orders with inaccurate origin codes. The findings stated that because the firm was not a member of options exchanges, it contracted with and routed customer options orders to third-party broker-dealers that would then route those orders to options exchanges for execution. For each options order it routed to third-party broker-dealers, the firm used an origin code indicating, among other things, whether the order originated from a Customer or a Professional Customer. A Professional Customer origin code is required for all option orders submitted by customers who are not broker-dealers and who placed an average of more than 390 options orders per day during any month in a quarter. The exchanges used the origin codes to prioritize and match orders, and to calculate fees. The firm submitted options orders for two customer accounts that had incorrect origin codes to one of the third-party broker-dealers with which it had contracted. The options orders incorrectly stated that the orders originated from Customers, even though the customers were in fact Professional Customers at the time of the orders. The inaccurate origin codes were caused by a computer coding error in the firm's order routing system. The firm subsequently fixed the error after FINRA contacted it about the issue. The findings also stated that the firm's supervisory system, including written procedures, was not reasonably designed to achieve compliance with federal securities laws and FINRA rules governing options order coding. The firm maintained written procedures requiring it to conduct quarterly reviews to determine whether it was using accurate origin codes on its options orders. However, the firm's origin code reviews were limited to determining whether customers who qualified as Professional Customers were properly categorized in the firm's systems. The firm's origin code reviews did not encompass its order routing system or a review of executed trades to ensure that orders the firm submitted to other broker-dealers for execution contained accurate origin codes. After FINRA contacted the firm about the matter, it revised its relevant supervisory procedures. ([FINRA Case #2019061928701](#))

Individuals Barred

Dusty Lynn Sternadel (CRD #5872600, Windthorst, Texas)

September 9, 2022 – An AWC was issued in which Sternadel was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Sternadel consented to the sanction and to the entry of findings that she refused to appear for on-the-record testimony and produce the information and documents requested by FINRA in connection with its investigation into the circumstances giving rise to a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by her member firm. The findings stated that the Form U5 disclosed that the firm had terminated Sternadel for violation of company policies related to misappropriation of client funds. ([FINRA Case #2022076046801](#))

Raymond Ellis Jennison Jr. (CRD #867502, Rowlett, Texas)

September 16, 2022 – An AWC was issued in which Jennison was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Jennison consented to the sanction and to the entry of findings that he refused to appear for on-the-record testimony requested by FINRA. ([FINRA Case #2020065342802](#))

Jared Winston (CRD #7025143, Kissimmee, Florida)

September 19, 2022 – An AWC was issued in which Winston was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Winston consented to the sanction and to the entry of findings that he converted approximately \$2,000 from his member firm by obtaining reimbursement for childcare expenses he did not incur. The findings stated that as a part of the firm's childcare reimbursement program, Winston applied for childcare reimbursement on days during which he did not pay for childcare and therefore was not entitled to reimbursement from the firm. For those days, the firm paid Winston approximately \$2,000 in reimbursement, which he retained in his bank account for personal use. ([FINRA Case #2021072260201](#))

Alan Zelig Appelbaum (CRD #500336, Boca Raton, Florida)

September 23, 2022 – An AWC was issued in which Appelbaum was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Appelbaum consented to the sanction and to the entry of findings that he failed to provide documents and information requested by FINRA in connection with its examination into his sales of complex structured products. ([FINRA Case #2021072524501](#))

Ronald Robert Walchack ([CRD #1016040](#), Pittsburgh, Pennsylvania)

September 23, 2022 – An AWC was issued in which Walchack was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Walchack consented to the sanction and to the entry of findings that he refused to appear for and provide on-the-record testimony requested by FINRA in connection with its investigation into a Form U5 filed by his member firm. The findings stated that the Form U5 disclosed that Walchack had been terminated for violating company policies related to recommendations made to clients, mismarking of trade tickets, and exercising discretion in non-discretionary accounts. ([FINRA Case #2021072021501](#))

Daniel Richard Hajduk ([CRD #830330](#), Mount Prospect, Illinois)

September 26, 2022 – An AWC was issued in which Hajduk was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Hajduk consented to the sanction and to the entry of findings that he refused to appear for and provide on-the-record testimony requested by FINRA during the course of an investigation that originated from a FINRA cycle examination of his member firm that included a review of certain trades that he effected for firm customers. ([FINRA Case #2021069375801](#))

Individuals Suspended

John Charles Barnes ([CRD #862738](#), Naples, Florida)

September 1, 2022 – An AWC was issued in which Barnes was fined \$5,000 and suspended from association with any FINRA member in all capacities for one month. Without admitting or denying the findings, Barnes consented to the sanctions and to the entry of findings that he exercised discretion in transactions in customer accounts without the customers' written authorization and without his member firm having accepted the accounts as discretionary. The findings stated that each of the customers gave Barnes express or implied authorization to exercise discretion in their accounts.

The suspension was in effect from October 3, 2022, through November 2, 2022. ([FINRA Case #2019062419801](#))

Michael G. Ferrera Jr. ([CRD #4865324](#), Valley Village, California)

September 1, 2022 – An AWC was issued in which Ferrera was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in all capacities for two years. Without admitting or denying the findings, Ferrera consented to the sanctions and to the entry of findings that he engaged in an OBA without providing his member firm prior written notice. The findings stated that the OBA related to one of his firm's customers, a recently widowed elderly woman

who was having trouble managing her affairs on her own. Ferrara purported to provide estate-management services to the customer including lawn care, house maintenance, personal organization, and “concierge services” that Ferrara claimed could include almost anything the customer might want or need. Ferrara charged the customer \$20,000 for five years of such services. In the days after depositing the customer’s check, Ferrara began performing limited services organizing the customer’s mail and personal papers. The findings also stated that Ferrara knowingly made false and misleading statements to the firm and FINRA about the OBA. Shortly after Ferrara deposited the customer’s check, the customer’s bank investigated then reversed the transaction. The customer then complained in writing to the firm and FINRA, prompting them to investigate. In both investigations, Ferrara knowingly gave false and misleading answers suggesting his estate-management activities amounted to an established business when, in reality, the customer was his first and only estate-management client. During the firm’s investigation, Ferrara falsely stated that he began performing the estate-management services about six months before depositing the check from the customer, that he had earned \$50,000 in total from his estate-management activities, and that he had provided similar services for two individuals in the past. As a result of the firm’s investigation, Ferrara completed its standard OBA disclosure form on which he reiterated that he had begun performing estate-management services about six months before depositing the check. Ferrara likewise made similar false and misleading statements to FINRA during an exam. Ferrara knew that each of those statements were false and misleading. Ferrara later gave truthful testimony in this matter about the issues he previously had misrepresented.

The suspension is in effect from September 6, 2022, through September 5, 2024. ([FINRA Case #2019063639201](#))

Russ Kory (CRD #5901185, Cliffside Park, New Jersey)

September 2, 2022 – An AWC was issued in which Kory was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in all capacities for three months and ordered to pay deferred disgorgement of commissions received in the amount of \$7,203, plus interest. Without admitting or denying the findings, Kory consented to the sanctions and to the entry of findings that he recommended that customers of his member firm invest in the firm’s proprietary limited partnerships formed to acquire and develop oil and gas properties without having a reasonable basis to believe those illiquid investments were suitable for the customers. The findings stated that a retired married couple held an investment account at the firm intended, in part, to provide for the long-term care for their disabled adult son. Kory recommended that they invest \$382,000 in one of the illiquid limited partnerships. Further, Kory also recommended that a senior customer invest in one of the limited partnerships. At the time of the recommendation, the senior customer was widowed,

unemployed, living with her daughter, and on a fixed income. Kory recommended that the senior customer invest approximately \$25,000 in one of the limited partnerships. The third customer, the senior customer's son-in-law, was nearing retirement, had limited investment experience, and one of his investment objectives was to preserve funds for retirement. Kory recommended that the third customer invest \$50,000 in one of the limited partnerships. Kory's recommendations that the customers invest in the partnerships were not suitable given their investment profiles. Kory received \$7,203 in commissions from these investments.

The suspension is in effect from September 6, 2022, through December 5, 2022. ([FINRA Case #2019063686203](#))

James Edward Gingles (CRD #1332507, Sun City, California)

September 6, 2022 – An AWC was issued in which Gingles was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Gingles consented to the sanctions and to the entry of findings that he received a total of \$16,500 in loans from customers of his member firm without providing prior notice to or obtaining written approval from the firm. The findings stated that Gingles accepted two loans, totaling \$4,500, from a senior customer who held a brokerage account at the firm. Neither of these loans was documented by a promissory note or other agreement. To date, Gingles has failed to repay \$4,400 owed to the customer for the loans. In addition, Gingles accepted three loans, totaling \$12,000, from another senior firm customer. Each loan was memorialized by a promissory note, setting forth an interest rate between ten and 12 percent and establishing a due date for repayment. To date, Gingles has failed to repay \$11,585.10 owed to the other customer in principal and interest for the loans.

The suspension is in effect from September 6, 2022, through December 5, 2022. ([FINRA Case #2022073871001](#))

Crystal Turk (CRD #6181357, Dallas, Texas)

September 7, 2022 – An AWC was issued in which Turk was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Turk consented to the sanctions and to the entry of findings that she made negligent misrepresentations in a loan application she submitted to the Small Business Administration (SBA) to obtain an Economic Injury Disaster Loan (EIDL). The findings stated that Turk was considering starting a company to sell baked goods. Prior to completing the loan application, Turk did not carefully review the EIDL program requirements to determine her eligibility. In her loan application, Turk negligently misrepresented that she had already established a sole proprietorship and that it had earned

revenues. In fact, Turk had not started the business at the time she completed the loan application. Based on Turk's misrepresentations, the SBA provided her with a \$1,000 loan advance. Turk did not complete a loan agreement.

The suspension is in effect from September 19, 2022, through November 18, 2022. ([FINRA Case #2020068452801](#))

Ronald Coy Bailey Jr. ([CRD #6270312](#), Wasilla, Alaska)

September 9, 2022 – An AWC was issued in which Bailey was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in all capacities for 12 months. Without admitting or denying the findings, Bailey consented to the sanctions and to the entry of findings that he participated in an undisclosed private securities transaction. The findings stated that Bailey entered into an investment marketing agreement with a limited liability company (LLC) to sell and market LLC membership interests in a seafood processing company and affiliate of the LLC, for compensation of up to a 0.5 percent membership interest in the LLC. In connection with these activities, Bailey distributed the LLC's financial projections and other marketing materials to the potential investors and arranged investor meetings for the potential investors with the seafood processing company's and the LLC's management. Bailey solicited a customer at his member firm to invest \$588,000 in an LLC membership interest in the seafood processing company and was given a 0.5 percent membership interest in the LLC as compensation for the successful solicitation. Bailey did not notify or receive prior written approval from his firm to participate in this private securities transaction. In addition, Bailey attested during an annual compliance interview that he had not solicited any persons to make any investments other than in products offered by or through the firm. The findings also stated that Bailey engaged in OBAs without providing prior written notice or receiving prior approval from his firm. Bailey introduced the LLC's management to contacts who could provide it with transportation services. Further, Bailey engaged in undisclosed and unapproved OBAs with a human resource consulting and payroll administration company. Bailey and two partners registered the company's name and marketed the company to the public. Bailey submitted an OBA approval request to the firm to own and operate the company, however, the firm denied the request. Despite the firm's denial, Bailey continued his business activities with the company. The findings also included that, in the course of soliciting investors to invest in the seafood processing company, Bailey emailed financial projections to a potential investor that did not clearly disclose the applicable risks of the investment and were promissory and misleading. Bailey did not submit any communications regarding investments in the seafood processing company to the firm for internal review prior to their distribution. Bailey's communications did not provide the key assumptions underlying the seafood processing facility's yearly profit projections, and did not identify the key limitations, impediments and restrictions that could impede the achievement of the profit projections. The communications also did not disclose

the general risks associated with private placements that they are speculative in nature, illiquid, and the possibility of the entire loss of the investment. As a result, the communications did not provide the investor with the required sound basis to evaluate all the relevant facts with respect to the potential investment.

The suspension is in effect from September 19, 2022, through September 18, 2023. ([FINRA Case #2020068006501](#))

Peng Zhang ([CRD #6103092](#), Oakland Gardens, New York)

September 13, 2022 – An AWC was issued in which Zhang was fined \$5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Zhang consented to the sanctions and to the entry of findings that he caused his member firm to maintain incomplete books and records by using an instant messaging service and non-firm email accounts to exchange securities-related business communications without providing copies to the firm. The findings stated that Zhang used the instant messaging service to communicate regarding securities-related business with another individual associated with the firm and with another firm. In addition, Zhang used his personal email account and another non-firm email account to communicate with the firm regarding the referral of potential investors to that firm to participate in the IPO of an affiliate of Zhang's firm. In certain of these emails, Zhang attached the potential investors' applications for new accounts at the other firm. Zhang did not retain copies of these instant messages or emails for his firm to preserve.

The suspension is in effect from October 3, 2022, through November 16, 2022. ([FINRA Case #2019062623002](#))

Daniel Shawn Murff ([CRD #6714280](#), Wentzville, Missouri)

September 15, 2022 – An AWC was issued in which Murff was fined \$5,000 and suspended from association with any FINRA member in all capacities for one month. Without admitting or denying the findings, Murff consented to the sanctions and to the entry of findings that he provided \$1,267 to an elderly customer of his member firm to compensate the customer for losses incurred from an investment in a brokered certificate of deposit (CD). The findings stated that the customer purchased the brokered CD with a five-year term for \$50,000 based on Murff's recommendation. Later that year the customer instructed Murff to sell the CD. Murff effected the sale of the CD on the same day, and the customer incurred a loss of approximately \$1,267 on the sale. Murff provided the customer cash compensation for the loss incurred from the sale of the CD, however Murff did not seek or obtain authorization from the firm to compensate the customer for his losses.

The suspension is in effect from October 17, 2022, through November 16, 2022. ([FINRA Case #2022074195101](#))

Solomon Wei-En Hua ([CRD #6168816](#), Rowland Heights, California)

September 16, 2022 – An AWC was issued in which Hua was fined \$15,000, suspended from association with any FINRA member in all capacities for one year and ordered to pay disgorgement of commissions received in the amount of \$61,543.07, plus interest. Without admitting or denying the findings, Hua consented to the sanctions and to the entry of findings that he recommended new issue preferred securities (NIPs) to his customers without a reasonable basis to believe that the securities were suitable. The findings stated that Hua failed to conduct diligence sufficient to inform him of the potential risks and rewards of NIPs generally, and of the specific NIPs he recommended. Hua erroneously believed NIPs were safe and therefore suitable for conservative investors, that interest rates and dividend payments were guaranteed, and that the securities were an ideal substitute for money market accounts and savings accounts. To the contrary, these securities did not have the benefits Hua claimed, and posed substantial risks to investors. Hua did not inform his customers of these risks. NIPs are not akin to money market or savings accounts, their interest rates and dividend payments are not guaranteed, and they are not necessarily safe or conservative investments, but rather, carry the risk of loss of the entire invested principal. In addition, as outlined in each of the respective prospectuses, NIPs are subject to additional risks specific to each issuer. Accordingly, Hua received \$61,543.07 in commissions. The findings also stated that Hua sent unwarranted and misleading communications regarding NIPs and other securities. Hua sent emails to customers and potential customers, soliciting purchases of NIPs. Hua's correspondence about NIPs contained unwarranted and misleading claims and did not provide a fair and balanced assessment of the securities. In particular, Hua's emails highlighted only the positive aspects of the NIPs such as the intended interest rates and interest payment dates but failed to include any discussion of the risks of the securities. Separately, Hua also sent correspondence in which he recommended two variable annuities to potential customers. In those instances, Hua altered issuer documents to show an increase in the stated interest rates on the offering documents, but provided no basis for the alteration, thereby making these communications unwarranted and misleading. The findings also included that Hua used his personal cell phone to send and receive business-related text messages with a customer, without notice or approval by his member firm, thereby causing the firm to maintain incomplete books and records. Hua also inaccurately completed his firm's compliance questionnaire indicating that he did not use text messages to communicate with his customers for business purposes.

The suspension is in effect from October 17, 2022, through October 16, 2023. ([FINRA Case #2018058988301](#))

Jimmie Scott Griffea (CRD #6967113, White Plains, Maryland)

September 21, 2022 – An AWC was issued in which Griffea was assessed a deferred fine of \$2,500 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Griffea consented to the sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose that he had been charged with a misdemeanor. The findings stated that, while associated with his member firm, Griffea was charged with one count of misdemeanor theft in U.S. District Court. Although Griffea was aware that he had been charged with a misdemeanor theft, he did not amend his Form U4 to disclose the charge within 30 days, as he was required to do. Ultimately, Griffea did not amend his Form U4 to disclose the misdemeanor charge at any point prior to resigning from the firm.

The suspension is in effect from October 3, 2022, through January 2, 2022. ([FINRA Case #2021071041701](#))

Miche D. Jean (CRD #5918186, North Bethesda, Maryland)

September 26, 2022 – An AWC was issued in which Jean was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Jean consented to the sanctions and to the entry of findings that he exercised discretionary power in customer accounts without obtaining prior written authorization from the customers or prior written approval by his member firm. The findings stated that Jean also communicated with firm customers about securities-related business through text messages using his personal cellular phone, without the firm's authorization or approval. Jean did not provide these messages to the firm, and he subsequently deleted them. As a result, the firm did not capture or preserve these messages, causing it to maintain incomplete books and records.

The suspension is in effect from October 3, 2022, through December 2, 2022. ([FINRA Case #2020068648601](#))

Michael Glenn Seymour (CRD #1597042, Winter Haven, Florida)

September 27, 2022 – An AWC was issued in which Seymour was fined \$10,000, suspended from association with any FINRA member in any principal capacity for one month and required to attend and satisfactorily complete 20 hours of continuing education concerning supervisory responsibilities. Without admitting or denying the findings, Seymour consented to the sanctions and to the entry of findings that he failed to reasonably supervise a registered representative's recommendations and sales of Unit Investment Trusts (UITs) and alternative investments. The findings stated that Seymour, in his role as branch manager, was responsible for supervising the registered representative and for the review and processing of orders and the suitability of the registered representative's recommended transactions.

Seymour knew of the registered representative's practice of recommending that his customers purchase standard version UITs and alternative investments through his member firm, which were more expensive due to the transactional sales charges. Seymour also knew that the registered representative recommended the higher-cost UITs to earn additional compensation. Seymour did not, however, conduct a suitability review of the registered representative's UIT and alternative investment recommendations. Seymour's firm placed the registered representative on heightened supervision, and Seymour was responsible for the registered representative's heightened supervision plan. Pursuant to the terms of the plan, Seymour was obligated to ensure all transactions conform to industry and firm standards on suitability and concentration of asset classes. Although many of the UIT purchases the registered representative made for customers occurred while he was on heightened supervision, Seymour still did not conduct a suitability review of any of these purchases.

The suspension is in effect from October 17, 2022, through November 16, 2022. ([FINRA Case #2018057298702](#))

Nickolay V. Kukekov ([CRD #4981423](#), Dallas, Texas)

September 28, 2022 – An AWC was issued in which Kukekov was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 30 days. Without admitting or denying the findings, Kukekov consented to the sanctions and to the entry of findings that he engaged in OBAs without providing prior written notice to his member firm. The findings stated that Kukekov engaged in business activities that were outside the scope of his relationship with the firm through a publicly traded company that develops stem cell therapies. Kukekov did not provide any notice to the firm until it discovered that he was serving as a director of the company through a review of Kukekov's email. Thereafter, Kukekov requested approval of the OBA, which his firm granted. Further, Kukekov engaged in an OBA through a second company developing treatments for a degenerative brain disease. Kukekov informed prospective investors of the second company that he had accepted a transitional role as its CEO, a position that the second company later formalized. The firm later discovered Kukekov's participation in OBAs through the second company and discharged him.

The suspension was in effect from October 3, 2022, through November 1, 2022. ([FINRA Case #2021071205501](#))

Lisa Maria Idlett ([CRD #2932198](#), Carteret, New Jersey)

September 29, 2022 – An AWC was issued in which Idlett was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Idlett

consented to the sanctions and to the entry of findings that she did not timely respond to FINRA's requests for information and documents during the course of its investigation that originated from a Form U5 filed by her member firm stating that she was terminated following an investigation conducted by the firm's affiliate. The findings stated that the information and documents sought by FINRA were relevant to understanding the circumstances surrounding her termination as reported on the Form U5 and were necessary to FINRA's investigation of this matter.

The suspension is in effect from October 3, 2022, through April 2, 2023. ([FINRA Case #2022073947701](#))

Steven Horn (CRD #2579003, Massapequa, New York)

September 30, 2022 – An AWC was issued in which Horn was fined \$10,000 and suspended from association with any FINRA member in all capacities for seven months. Without admitting or denying the findings, Horn consented to the sanctions and to the entry of findings that he made reckless misrepresentations in a loan application and loan agreement he submitted to the SBA to obtain an EIDL. The findings stated that in the application, Horn recklessly misrepresented that he owned a sole proprietorship under the business name Steven Horn, using a Tax ID number that was identical to his personal social security number, that the primary email address for this business was his personal email address and that the revenues and costs associated with his member firm business were those of the sole proprietorship. In actuality, Horn was providing financial services only in his capacity as a registered representative with the firm. Horn did not have any OBAs, including any sole proprietorship or other financial services business bearing his name and personal social security number. In addition, Horn was using only his firm-issued email address to conduct his financial services business, not his personal email address. Horn's firm business was not eligible for an EIDL, and he did not have any other business eligible for an EIDL from the SBA. Based on Horn's misrepresentations, the SBA approved Horn's application. Horn signed the loan agreement, which contained an affirmation that the representations made in his application were correct. Horn did not review the loan agreement before signing it. Subsequently, the SBA provided Horn with a \$150,000 loan. Horn later repaid the loan in full, with interest to the SBA.

The suspension is in effect from October 17, 2022, through May 16, 2023. ([FINRA Case #2020068856201](#))

German Ricardo Mora (CRD #5032958, Davenport, Florida)

September 30, 2022 – An AWC was issued in which Mora was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Mora consented to the sanctions and to the entry of findings that he engaged in an OBA by becoming

an insurance agent with an insurance brokerage company and selling a life insurance policy to a customer of his member firm for which he received \$5,785 in compensation without providing prior written notice to his firm or obtaining its prior approval. The findings stated that Mora also falsely attested on a firm annual compliance questionnaire that his previous Form U4 OBA disclosures were accurate and complete, even though he did not include his OBA with the insurance brokerage company.

The suspension is in effect from October 3, 2022, through November 16, 2022. ([FINRA Case #2021070633001](#))

Nathan Marek Plumb ([CRD #4598158](#), Madison, Wisconsin)

September 30, 2022 – An AWC was issued in which Plumb was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Plumb consented to the sanctions and to the entry of findings that he engaged in undisclosed OBAs. The findings stated that before associating with his member firm, Plumb submitted an OBA disclosure form to the firm disclosing his role as a board member of a mutual fund company and the firm approved. Later, Plumb's role with the fund company expanded and he began working as chief financial officer (CFO) and treasurer. However, Plumb did not disclose these new roles to the firm. In addition, Plumb began providing consulting services to a registered investment advisory firm and the investment advisor to the fund company pursuant to a consulting agreement. Plumb provided economic research, marketing support, and financial analysis to the investment advisory firm. Plumb did not disclose to the firm his role with the investment advisory firm until nearly two years after starting. The firm subsequently denied Plumb's request to work for the investment advisory firm. Notwithstanding this, Plumb continued to work for, and receive compensation from, the investment advisory firm throughout his association with the firm. Further, Plumb incorrectly attested on annual compliance questionnaires submitted to the firm that he had disclosed all OBAs. The findings also stated that Plumb participated in undisclosed private securities transactions. While associated with the firm, Plumb was approached by and assisted individuals in purchasing mutual fund shares directly from the fund company. These individuals purchased approximately \$387,000 of mutual fund shares directly from the fund company. Plumb assisted these individuals with their purchases by meeting with them to discuss their investments, completing the paperwork required to purchase the mutual fund shares, and advising them on how to send payment to the fund company for the mutual fund share purchases. Plumb did not receive any commissions or other payments for his role in the transactions, though he was affiliated with the fund company as a member of the board and the CFO and treasurer.

The suspension is in effect from October 3, 2022, through February 2, 2023. ([FINRA Case #2020068210301](#))

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Jordan Palmer John ([CRD #6924720](#), Williamsburg, Virginia)

September 7, 2022 – John was named a respondent in a FINRA complaint alleging that he failed to respond to FINRA's requests for information and documents during the course of its investigation into the circumstances of his termination from his member firm. The complaint alleges that the firm filed a Form U5 disclosing that it terminated its association with John for behavior that was inconsistent with the firm's Code of Business Conduct and Ethics related to activity in his brokerage account held at the firm. The Form U5 further disclosed that the termination followed an internal review of his trading activity on unsecured funds. The requested information was material to FINRA's investigation and was necessary to determine whether John improperly traded on unsecured funds and failed to observe high standards of commercial honor and just and equitable principles of trade. ([FINRA Case #2021071672302](#))

Lek Securities Corporation ([CRD #33135](#), New York, New York) and Charles Frederik Lek ([CRD #4672129](#), New York, New York)

September 9, 2022 – The firm and Lek were named respondents in a FINRA complaint alleging that they failed to comply with an Order Accepting Offer of Settlement with FINRA by violating a business line suspension. The complaint alleges that the business line suspension was to remain in effect until the firm certified to FINRA that it had implemented all of the recommendations of the independent consultant hired pursuant to the terms of the Order. However, the firm violated the business line suspension by accepting and liquidating deposits of low-priced securities while the business line suspension was in effect. Lek, on behalf of the firm, purported to lift the business line suspension, without having certified to FINRA that the firm had implemented all of the recommendations in the independent consultant's initial report. Lek approved and facilitated the acceptance of all the violative deposits. Lek then submitted a certification to FINRA that the firm had implemented all of the recommendations in the initial report. However, the firm had not implemented all of the recommendations in the initial report as of that date. Further, Lek caused the firm to accept deposits and liquidate low-priced securities in violation of the business line suspension by, among other things, failing to timely notify firm personnel and customers of the commencement of the business line

suspension, providing false guidance to the firm regarding the applicability of the business line suspension to recently received deposits, failing to take steps to prevent the firm from accepting violative deposits and liquidations, and prematurely purporting to lift the business line suspension. The complaint also alleges that the firm and Lek failed to comply with the order by failing to implement the independent consultant's recommendations. Lek, on behalf of the firm, failed to adopt and implement 18 of the 98 recommendations contained in the initial report, in whole or in part. The complaint further alleges that the firm and Lek made false certifications and representations to FINRA. Lek was aware that his certification representing that the firm had complied with the business line suspension was false because he knew the firm had accepted deposits of low-priced securities and permitted liquidations of low-priced securities that did not fall within the two limited exceptions in the Order while the business line suspension was in effect. Further, Lek, on behalf of the firm and knowing that his representations were false, submitted a certification and an implementation report to FINRA representing that the firm had implemented all of the recommendations in the independent consultant's initial report. In addition, the complaint alleges that, with respect to microcap securities, the firm, under Lek's direction, failed to implement AML policies, procedures, and internal controls reasonably expected to detect and cause the reporting of suspicious transactions and reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations promulgated thereunder by the Department of the Treasury. Lek was responsible for AML compliance related to the firm's microcap customers, microcap deposits, and microcap sales through the firm. Further, when the independent consultant recommended that the firm update its WSPs to include new red flags from the latest regulatory guidance notice, the firm largely declined to do so. The firm also had inexperienced and unqualified compliance staff, did not have an AML compliance officer (AMLCO) for 11 months, and excluded its then chief compliance officer (CCO) from effectively reviewing the firm's microcap securities business. Moreover, the complaint alleges that the firm, through Lek, failed to establish and maintain a supervisory system reasonably designed to supervise the firm's microcap securities business, and otherwise failed to supervise this business. The firm's microcap customer activity regularly implicated red flags of potentially violative behavior set forth in regulatory guidance, but the firm and Lek failed to detect and reasonably investigate such red flags. To the extent that the firm's exception reports identified potentially suspicious activity, the firm and Lek failed to reasonably investigate that activity and failed to adequately document any investigation they undertook. Furthermore, the complaint alleges that the firm willfully violated Section 17(a) of the Exchange Act and Rule 17a-4 thereunder by failing to retain books and records. Lek and other firm representatives used unauthorized electronic means of communicating with each other and firm customers, including microcap customers, regarding securities business. ([FINRA Case #2021071137001](#))

Mark Bedros Beloyan (CRD #1392748, Davie, Florida)

September 13, 2022 – Beloyan was named a respondent in a FINRA complaint alleging that he facilitated the liquidation of nearly 23 million shares of common stock of a company to the investing public when there was no registration statement filed or in effect or exemption from registration available with respect to those transactions in contravention of Section 5 of the Securities Act of 1933 (Securities Act). The complaint alleges that the customers that liquidated these shares through Beloyan's former member firm generated proceeds of approximately \$577,000 in these violative transactions. Beloyan was a necessary participant and substantial factor in the sale of the common shares on behalf of the customers because, among other things, he opened all of the customer accounts, reviewed and approved all of the deposits of the company, executed all of the sales through the firm, served as the registered representative for the customers' accounts, and was solely responsible for all supervision and compliance functions at the firm. The complaint also alleges that Beloyan failed to reasonably supervise the firm's compliance with the Securities Act. As the firm's AMLCO, Beloyan was responsible for its supervision and compliance with FINRA rules and the federal securities laws. In violation of the firm's WSPs, Beloyan failed to investigate red flags of violative activity and failed to conduct due diligence sufficient to determine that the sales of shares of the company through the firm were registered or, if not, were exempt from registration. To the contrary, Beloyan was aware, or through reasonable diligence should have been aware, of facts that supported the conclusion that these sales were part of an unregistered distribution. The complaint further alleges that Beloyan failed to implement an AML program reasonably designed to achieve and monitor the firm's compliance with the Bank Secrecy Act and its implementing regulations, including the ability to detect and cause the reporting of suspicious activities. Beloyan also failed to detect and, if detected, failed to investigate red flags to make a determination of whether to file a suspicious activity report. Beloyan separately was aware, or through reasonable due diligence should have been aware, of numerous red flags of potentially suspicious activity in connection with an entirely different group of customer accounts. The firm, Beloyan, and a firm registered representative opened three nominee accounts for three nominee customers. At the time, the SEC had twice sued a person in connection with unrelated penny-stock manipulation schemes. When the firm's clearing firm asked directly about the relationship of the person to the second nominee customer, Beloyan misrepresented the nature of the relationship and denied the person's involvement in the account, despite both Beloyan and the representative having taken instructions directly from the person in the opening and funding of that account. The red flags included trading of six different penny stocks prior to the clearing firm closing the nominee accounts. In addition, the complaint alleges that Beloyan misled the clearing firm. Acting on behalf of the firm, Beloyan sent a false response to an AML risk analyst employed by the clearing firm that concealed the second nominee customer's relationship to the person. In response

to the risk analyst's inquiry, Beloyan misleadingly stated that he reviewed the report that was provided by the clearing firm, and he doesn't believe the entity bares any relations to the account that was opened. However, the entity named in the report had a nearly identical name to the second nominee customer, both had a primary location in Hong Kong, and that the person was involved in opening the second nominee customer's account at the firm. At the time he made this representation, Beloyan was aware of a connection between the second nominee customer and the person, and therefore the entity identified on the report did bear relation to the account opened by the firm. Beloyan also represented that there was a referral from another person who the broker has known for 15 years, which was false because he knew that the person referred the account to the firm. ([FINRA Case #2019060700302](#))

Centaurus Financial, Inc. ([CRD #30833](#), Anaheim, California) and Donnie Eugene Ingram ([CRD #1416971](#), Winter Haven, Florida)

September 27, 2022 – The firm and Ingram were named respondents in a FINRA complaint alleging that Ingram lacked a reasonable-basis to recommend UITs and alternative investments. The complaint alleges that Ingram recommended that his customers purchase standard version units that caused the customers to incur transactional sales charges, instead of the fee-based units of the same UIT that would have avoided most of these same transactional sales charges and which were available to the customers. Ingram was aware of the costs and expenses and his ability to purchase the fee-based UITs. Despite understanding that his customers would have benefitted from purchasing the fee-based UITs by paying lower costs for the same security, Ingram nonetheless recommended and purchased the standard version UITs in his customers' accounts for his own financial benefit and to the detriment of his customers. Ingram also recommended that some of his customers purchase alternative investments through the firm thereby incurring selling commissions that could have been avoided had Ingram instead recommended that his customers purchase the same alternative investments for less that were available as a result of the customers' investment advisory agreement through Ingram's investment advisory firm. Ingram was aware of the costs and expenses and his ability to enter into selling agreements with alternative investment issuers on behalf of Ingram's investment advisory firm that would have allowed his customers to avoid paying selling commissions. Despite understanding that his customers would have benefitted from purchasing the lower-cost alternative investments through his own investment advisory firm, Ingram nonetheless recommended and purchased alternative investments through the firm for his own financial benefit and to the detriment of his customers. Ingram had no reasonable basis to recommend that his customers purchase the more expensive standard version UITs and to purchase alternative investments through the firm when he knew that these same customers could have purchased these investments for less and received the

same benefits. The complaint also alleges that Ingram did not act with commercial honor and observe just and equitable principles of trade. The complaint further alleges that the firm failed to reasonably supervise Ingram's recommendations of UITs and alternative investments. In violation of the firm's supervisory procedures, a supervisor at the firm failed to conduct any suitability review to determine if Ingram's recommendations of standard version UITs to his customers were suitable in light of the fact that identical, lower cost fee-based UITs were available. Similarly, the supervisor did not review whether Ingram's recommendations to purchase alternative investments through the firm were suitable where investment advisory customers were eligible to purchase those investments without a commission. The supervisory failure continued during the period when the supervisor was responsible for implementing Ingram's heightened supervision program. Not only did the firm fail to ensure that the supervisor was conducting a suitability review of Ingram's recommendations, but the firm's trading principal also did not perform any suitability review to determine if Ingram's recommendations of UITs were suitable, as required by the firm's WSPs. The firm also failed to ensure that the regional compliance supervisor's review of Ingram's alternative investment recommendations included a consideration of the costs that the customers incurred in purchasing alternative investments through the firm when identical, lower cost alternatives of the same securities were available. ([FINRA Case #2018057298701](#))

**Firm Cancelled for Failure to Pay
FINRA Dues, Fees and Other Charges
Pursuant to FINRA Rule 9553**

**Aaron Capital Incorporated
(CRD #28583)**
Columbus, Georgia
(September 19, 2022)

**Firms Suspended for Failure to Pay
FINRA Dues, Fees and Other Charges
Pursuant to FINRA Rule 9553**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Gridshare LLC (Funding Portal Org ID #283498)
Portland, Oregon
(December 3, 2019 – September 29, 2022)

**Richfield Orion International, Inc.
(CRD #24433)**
Castle Rock, Colorado
(September 19, 2022)

**Individual Revoked for Failure to
Pay Fines and/or Costs Pursuant to
FINRA Rule 8320**

(If the revocation has been rescinded, the date follows the revocation date.)

Jeffrey Ward DeLone (CRD #1790207)
Media, Pennsylvania
(September 7, 2022)
FINRA Case #2016049564501

**Individuals Barred for Failure
to Provide Information or Keep
Information Current Pursuant to
FINRA Rule 9552(h)**

(If the bar has been vacated, the date follows the bar date.)

Chad Ryan Barancyk (CRD #4921433)
Naples, Florida
(September 19, 2022)
FINRA Case #2021072016901

**Aren Middle Blackwood
(CRD #7380351)**
Ellensburg, Washington
(September 19, 2022)
FINRA Case #2022073922401

Richard Lloyd Carman (CRD #2002971)
Memphis, Tennessee
(September 27, 2022)
FINRA Case #2021072182001

Jack Fascitelli (CRD #7337044)
New York, New York
(September 12, 2022)
FINRA Case #2022074501601

John M. Molskness (CRD #2366782)
Brownsburg, Indiana
(September 6, 2022)
FINRA Case #2021070932001

**Thomas Steven Pfeiffer
(CRD #3223708)**
Easton, Pennsylvania
(September 6, 2022)
FINRA Case #2021072080001

Emily Yon Pich (CRD #5456146)
Elkhart, Indiana
(September 6, 2022)
FINRA Case #2021073526901

Firasat Ali Siddiqui (CRD #2194860)
Chicago, Illinois
(September 26, 2022)
FINRA Case #2021072658701

Cari Stone Spicer (CRD #2387382)
Oceanside, California
(September 6, 2022)
FINRA Case #2021072265701

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Michael Botrous (CRD #7464820)
Cedar Grove, New Jersey
(September 12, 2022)
FINRA Case #2022074161201

Jaylon Briggs (CRD #7369487)
Phoenix, Arizona
(September 19, 2022)
FINRA Case #2022073895401

Johnnie Roy Brown (CRD #6897074)
Detroit, Michigan
(September 6, 2022)
FINRA Case #2021071501301

Courtenay Ann Donella-Sheley (CRD #3114196)
Manlius, New York
(September 8, 2022)
FINRA Case #2021073160401

Austin Richard Dutton Jr. (CRD #2739167)
Furlong, Pennsylvania
(July 5, 2022 – September 14, 2022)
FINRA Case #2022074635301

Ciara Rose Haro (CRD #7404412)
Phoenix, Arizona
(September 19, 2022)
FINRA Case #2022073895601

Monica Aracely Laguna (CRD #6286123)
Denton, Texas
(September 19, 2022)
FINRA Case #2022074851701

Yasmine Mercado (CRD #7459999)
Charlotte, North Carolina
(September 12, 2022)
FINRA Case #2022075162701

Cory James Tinsley (CRD #4434244)
Rochester, New York
(September 26, 2022)
FINRA Case #2021070388501

Khalil Hassan Watts (CRD #7214340)
Philadelphia, Pennsylvania
(June 17, 2022 – September 9, 2022)
FINRA Case #2021073482901

Individuals Suspended for Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution Pursuant to FINRA Rule Series 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Carl Edward Buhr (CRD #1677484)
Locust Valley, New York
(September 16, 2022)
FINRA Arbitration Case #18-02160

Neil S. Fineman (CRD #2225170)
Las Vegas, Nevada
(September 16, 2022)
FINRA Arbitration Case #21-02803

Donald Leon Heitz (CRD #5339996)
Navarre, Florida
(September 30, 2022)
FINRA Arbitration Case #22-00435

Tim Leissner (CRD #3146057)
Beverly Hills, California
(September 30, 2022)
FINRA Arbitration Case #19-00231

Evan A. Schottenstein (CRD #4929175)
New York, New York
(September 22, 2022)
FINRA Arbitration Case #19-02053

Bruce Davis Smith (CRD #2152664)
Atlanta, Georgia
(September 16, 2022)
FINRA Arbitration Case #19-00391

David William Weigel (CRD #2634533)
New York, New York
(September 16, 2022)
FINRA Arbitration Case #20-04094

FINRA Orders Joseph Stone Capital and Several Representatives to Pay \$1 Million in Restitution for Excessive Trading in Customer Accounts

Three Supervisors Suspended for Failing to Respond to Red Flags Eight Representatives Suspended for Excessive Trading

FINRA announced that it has ordered [Joseph Stone Capital LLC](#) to pay restitution of approximately \$825,000 to customers whose accounts were excessively traded by the firm's representatives. In related settlements, FINRA suspended eight current or former Joseph Stone representatives and required them to pay, collectively, an additional \$211,000 in restitution to the firm's impacted customers. In addition, FINRA suspended three supervisors at the firm for failing to reasonably identify or respond to red flags of excessive trading, and barred two representatives for refusing to respond to FINRA's requests for information in connection with the investigation.

FINRA found that from January 2015 to June 2020, Joseph Stone failed to implement a supervisory system reasonably designed to comply with FINRA's rules relating to excessive trading. As a result, the firm failed to identify or address representatives' excessive and unsuitable trading in 25 customer accounts, causing the customers to incur approximately \$1 million in commissions and other trading costs. The trading in these accounts generated cost-to-equity ratios—that is, the amount the accounts must increase in value just to cover commissions and other trading expenses—ranging from 21 percent to 96 percent.

"Excessive costs and commissions make it more difficult for customers to realize a positive return. FINRA is committed to investigating when firms fail to reasonably supervise the suitability of recommended securities transactions, and to providing restitution to harmed investors," said Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement. "Firms must ensure that they establish systems and procedures to supervise recommendations to retail customers; supervisors must use available tools to identify and address red flags of excessive trading; and representatives must ensure that the costs and commissions they charge are reasonable and not excessive."

The excessive trading in these accounts was evident in exception reports made available to Joseph Stone by its clearing firm, including an "active account report" that flagged accounts with high-commission-to-equity ratios. However, the designated principal responsible for reviewing actively traded accounts often did not review this report. Even when a supervisor flagged an account for potential excessive trading, Joseph Stone did not respond appropriately. For example, in several instances when the firm identified red flags of excessive trading, the firm responded by prospectively

restricting the commission that the representative could charge for certain trades in the account. The firm, however, did not restrict the number of trades the representative could execute in the account or the aggregate commissions that could be charged—in other words, representatives could simply place more frequent trades in the account, earning higher commissions on a larger number of trades.

In related settlements:

- ▶ Three Joseph Stone principals who failed to reasonably respond to red flags of excessive trading agreed to supervisory suspensions ranging from two to five months: [Adam Maggio](#), [Joseph Scott Audia](#), and [Anthony Joseph Graziano](#);
- ▶ Eight Joseph Stone representatives who excessively traded customer accounts agreed to suspensions ranging from three to eight months and to pay, collectively, approximately \$211,000 in restitution: [Miguel Angel Murillo](#), [Joseph A. Ambrosiole](#), [Sebastian Wyczawski](#), [Michael James May](#), [Douglas J. Rosenberg](#), [Todd Franklin Kling](#), [Martin J. Petela](#), and [Nico Rutella](#). As part of the settlement, Joseph Stone also agreed to place the representatives who are still associated with the firm on heightened supervision for two years; and
- ▶ Two Joseph Stone representatives agreed to bars from associating with any FINRA member for refusing to respond to FINRA's requests for information in connection with the investigation: [Eugene A. McAdams](#) and [David Martin Martirosian](#).

In settling [these matters](#), the respondents consented to the entry of FINRA's findings while neither admitting nor denying the charges.

FINRA Fines BofA Securities, Inc. \$5 Million for Large Options Position Reporting Failures

Firm Failed to Report Over-the-Counter (OTC) Options Positions in More Than 7.4 Million Instances

FINRA announced that it has fined [BofA Securities Inc.](#) (BofAS) \$5 million for failing to report OTC options positions to the Large Options Positions Reporting system (LOPR) in more than 7.4 million instances, including 26 positions that were over the applicable OTC position limit, and related supervisory failures.

The matter originated from FINRA's Trading and Financial Compliance Examinations Group's identification of the issue through the group's review of OTC exercise limits.

FINRA Rule 2360 requires member firms to report large options positions to the LOPR, which FINRA uses to surveil for potentially manipulative behavior, including attempts to corner the market in the underlying equity, leverage an option position to affect the price, or move the underlying equity to change the value of a large

option position. The accuracy of LOPR reporting is essential to FINRA's surveillance, and is particularly important with respect to the OTC options market because there is no independent source of data for regulators to review OTC options activity.

Between January 2009 and October 2020, BofAS failed to report OTC options positions to the LOPR in more than 7.4 million instances, in violation of Rule 2360 as well as Rule 2010 (Standards of Commercial Honor and Principles of Trade). Twenty-six of the unreported positions were also over the applicable OTC position limit of either 25,000 or 50,000 contracts. In addition, FINRA found that from January 2014 through October 2020, the firm's supervisory system was not reasonably designed to comply with its LOPR reporting obligations, a violation of FINRA Rules 3110 (Supervision) and 2010. Among other things, the firm did not have an effective system to detect whether there were positions that should have been reported to the LOPR but were not.

"FINRA relies on accurate reporting of transactions in order to maintain the integrity of the markets," said Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement. "BofAS's failure to report millions of OTC options positions prevented FINRA from carrying out that core function for transactions that carry substantial risks."

In settling [this matter](#), BofAS consented to the entry of FINRA's findings, without admitting or denying the charges. In addition to the fine, the firm agreed to a penalty of a censure and a requirement that an officer and principal of the firm certify by Oct. 31, 2022, that BofAS has established, maintains and enforces supervisory procedures reasonably designed to achieve compliance with FINRA Rule 2360.

FINRA Extended Hearing Panel Expels NYPPEX, Bars Former CEO Laurence Allen and Suspends Current CEO and CCO Michael Schunk

FINRA announced that an extended hearing panel has expelled broker-dealer [NYPPEX, LLC](#) and barred its former CEO Laurence Allen for failing to respond in a timely and complete manner to FINRA requests for information and documents. The panel also found that NYPPEX and Allen engaged in securities fraud. In addition, the panel barred NYPPEX's current CEO and CCO Michael Schunk in any principal or supervisory capacity for his failure to supervise Allen, and suspended him for two years in all capacities for engaging in other misconduct—the maximum suspension under FINRA's sanction guidelines.

In May 2021, FINRA's Department of Enforcement filed a nine-cause complaint against NYPPEX, Allen, and Schunk alleging a pattern of misconduct that followed a temporary restraining order issued against Allen and others in December 2018 by a New York state court. That order—issued after the New York Attorney General (NYAG) alleged that Allen was engaging in "fraudulent and deceptive practices

arising out of [Allen’s and others’] management and operation” of a private equity fund—preliminarily enjoined Allen from engaging in securities fraud and converting investor funds, among other activities.

Following an 11-day hearing, the panel ruled in favor of Enforcement on all nine causes of action of the complaint. Specifically, the panel found that, shortly after the December 2018 court order, NYPPEX and Allen launched an aggressive sales campaign to raise \$10 million by selling interests in NYPPEX Holdings (NYPPEX’s parent company). The panel concluded that during the campaign, NYPPEX and Allen committed securities fraud when they “intentionally or, at a minimum, recklessly” made material misstatements and omissions to prospective investors about NYPPEX Holdings’ valuation and financial condition, the New York court’s order against Allen, and the ongoing investigation by the NYAG into Allen and NYPPEX-affiliated entities, among other matters.

The panel also found that NYPPEX and Allen failed to cooperate with FINRA’s investigation into their misconduct and that their “failure to comply completely was intentional, and part of a lengthy pattern throughout the investigation of flouting FINRA 8210 requests.” (FINRA Rule 8210 requires registered firms and their associated persons to provide information orally, in writing, or electronically and to testify under oath on any matter involved in a FINRA investigation, complaint, examination, or proceeding.) In addition, the panel found that NYPPEX, Allen, and Schunk submitted a false and misleading response letter to FINRA in which they “attempted to deceive [FINRA] into mistakenly believing, among other things, that they had complied with regulatory requirements” when they had not.

The panel also found that:

- ▶ Although the December 2018 New York court order statutorily disqualified Allen, he improperly remained associated with NYPPEX, and during that time engaged in securities fraud;
- ▶ NYPPEX and Allen made false and misleading statements to investors during a March 2019 “webinar” and on NYPPEX’s website. Allen repeated the false and misleading statements in an affidavit submitted to the New York court and to FINRA; and
- ▶ Schunk failed to reasonably supervise Allen, when he, “abdicated his supervisory responsibilities and rubber-stamped Allen’s misconduct.” This “lax approach to supervision...allowed Allen to act with impunity, leading to serious infractions of the federal securities laws.”

In expelling NYPPEX and barring Allen, the panel found that NYPPEX and Allen “are unfit to remain in the securities industry, and their continued presence would pose a substantial risk to the investing public.”

“FINRA relies on compliance with Rule 8210 to investigate misconduct and protect investors,” said Jessica Hopper, Executive Vice President and Head of FINRA’s Department of Enforcement. “The panel’s decision, which expels a member firm and bars its former CEO for violating Rule 8210 and failing to cooperate with FINRA’s investigation into their fraudulent misconduct, should remind the securities industry of the consequences for failing to provide timely, truthful, and complete responses during regulatory investigations.”

Respondents have appealed [the hearing panel’s decision](#) to FINRA’s National Adjudicatory Council (NAC). The sanction is stayed pending the outcome of the appeal.