

# FINRA 2021 Enforcement Update September 2021

Andrew R. Shedlock, Kutak Rock LLP - Minneapolis

Every month, the Financial Industry Regulatory Authority (“FINRA”) publishes its Monthly Disciplinary Actions, formally known as “Disciplinary and Other FINRA Actions.”

Why is it important for industry members and associated persons (along with compliance consultants, attorneys and other participants) to follow and understand these Monthly Disciplinary Actions? A few reasons:

1. What trends can practitioners and FINRA members see in FINRA’s enforcement and disciplinary actions that FINRA members and associated persons use to avoid getting on FINRA’s radar (for the wrong reasons)?
2. What proactive actions can members and associated persons take now to prevent becoming a part of a future disciplinary action list?
3. What can we learn from past experiences listed on the Monthly Disciplinary Actions to avoid becoming part of a future list?

My goal is to publish this summary monthly so that we can stay on top of FINRA enforcement trends.

[Click here to find FINRA’s September 2021 Enforcement Update \(from which this information is taken and summarized\).](#)

For any questions or further inquires about these and other FINRA-related issues, you can reach me at [andrew.shedlock@kutakrock.com](mailto:andrew.shedlock@kutakrock.com) or 612.334.5022.

Party	Issue and Summary of Allegations	Type of Violation Alleged	Sanction
ICV Group, Inc.	Refused to respond to FINRA's request for documents and information in connection with FINRA's investigation of the firm's use of donations made to or through the firm.	FINRA Rule 8210	Firm Expelled
Laidlaw & Company (UK) Ltd. and John Coolong	Failure to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with securities laws and FINRA rules prohibiting market manipulation.	FINRA Rule 3110, Section 10(b) and Rule 10b-5 of the Exchange Act, FINRA Rule 2020, and Rule 17a-4 promulgated under the Exchange Act	\$1,500,000 (firm); \$15,000 (associated person); 60-day suspension (associated person)
Wilson-Davis & Co., Inc., Byron Bert Barkley, Lyle Wesley Davis and James C. Snow, Jr.	Firm and associated persons failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA Rules.	FINRA Rule 3110, FINRA Rule 3310 and FINRA Rule 8210	\$500,000 (firm); \$30,000 (associated person); \$30,000 (associated person); two-year suspension (associated person); three month suspension (associated person)
Sanctuary Securities, Inc. fka David A. Noyes & Company	<p>Firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with FINRA Rule 2111 in relation to the solicited sales of inverse and leveraged exchange traded funds (NT-ETFs) in that the firm's supervisory system was not sufficiently tailored to address the unique features and risks of these products.</p> <p>Firm failed to monitor its registered representatives outside business activities and failed to file proper offering documents with FINRA relating to private placements.</p>	FINRA Rule 3110, FINRA Rule 2111, FINRA Rule 3270, FINRA Rule 2210, FINRA Rule 5123, Exchange Act Rule 10b-9	\$160,000 plus \$370,161.39 in restitution to customers

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NEXT Financial Group	Firm failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to detect and prevent unsuitable short-term trading of mutual funds and municipal bonds in customer accounts and over-concentration of customer accounts in Puerto Rican bonds.	MSRB Rules G-27(b), (c), and (f)	\$750,000
StockCross Financial Services, Inc.	Firm failed to establish and maintain a supervisory system reasonably designed to supervise securities transactions and achieve compliance with FINRA's suitability rule.	FINRA Rule 3110, FINRA Rule 2111, FINRA Rule 1200, Exchange Act Rule 15c3-3(d)(1)	\$250,000
Precision Securities, LLC	Firm failed to develop and implement an AML program reasonably designed to achieve and monitor its compliance with the Bank Secrecy Act and the implementing regulations thereunder.	FINRA Rule 3310	\$350,000
D.H. Hill Securities, LLC	Firm acted in contravention of Section 5 of the Securities Act by selling private placement offerings claiming exemption from registration under Rule 506(b) of Regulation D of the Securities Act, but without having established pre-existing, substantive relationships with the offerees prior to participating in those offerings.	Section 5 of the Securities Act of 1933	\$25,000
CODA Markets, Inc. fka PDQ ATS, Inc.	Firm failed to establish, document, and maintain a supervisory system, including WSPs and regulatory risk management controls reasonably designed to monitor for potentially manipulative trading, such as potential layering, spoofing, wash trades, prearranged trades, marking the close and odd-lot manipulation, by its subscribers and their customers.	Rule 15c3-5 of the Exchange Act, FINRA Rule 3110, FINRA Rule 3120 and FINRA Rule 3310	\$1,250,000

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Juan Manual Ceja	Refused to cooperate with FINRA's request for documents and information in connection with FINRA's investigation into allegations contained in his U5.	FINRA Rule 8210	Barred from association with any FINRA member in all capacities.
Richard Wayne Demetriou	Findings made that individual made material misrepresentations of fact in widely distributed emails to current and former customers.	FINRA Rule 8210, FINRA Rule 3270	Barred from association with any FINRA member and \$337,000 in restitution to customers.
Jeanet Chihntzu Lee	Refused to provide information and documents requested by FINRA in connection with its investigation of her potentially impersonating a customer in the process of requesting annuity withdrawals.	FINRA Rule 8210	Barred from associated with any FINRA member in all capacities.
John Henry Swon IV	Refused to produce information and documents requested by FINRA in connection with its investigation concerning allegations in a customer complaint that he misappropriated funds.	FINRA Rule 8210	Barred from association with any FINRA member in all capacities.
Tyler Michael Rigsbee	Refused to provide information and documents requested by FINRA in connection with its investigation of a Form U5 filed by his member firm in which it disclosed that he had been discharged during the course of an internal review where documents appear to show that client funds were received in his personal bank account after being transferred from the firm to a third party.	FINRA Rule 8210	Barred from association with any FINRA member in all capacities.
Ronald Joseph Giovino Jr.	Refused to produce information and documents requested by FINRA in connection with its investigation into whether he converted customer funds.	FINRA Rule 8210	Barred from association with any FINRA member in all capacities.

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Samuel Lohner	Refused to appear for on-the-record testimony requested by FINRA in connection with its investigation into the circumstances of the Series 7 qualification examination that he had taken.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.
James William Flower	Churned customer accounts in willful violation of Section 10(b) of the Exchange Act and excessively traded the customer accounts in violation of FINRA rules regarding quantitative unsuitability.	FINRA Rule 2020 and Section 10(b) of the Exchange Act	Barred from association with any FINRA member firm in all capacities and \$242,014.46 in restitution to customers.
Enoch Stanley Booth	Failed to provide documents requested by FINRA in connection with its investigation into facts surrounding his termination from his member firm.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.
Alexander Vesneske	Refused to appear for on-the-record testimony requested by FINRA.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.
Jason LaBelle	Refused to provide information or documents requested by FINRA in connection with an investigation of his possible violation of a prior AWC in which he consented to the entry of findings that, while associated with his member firm, he participated in an OBA without having provided prior written notice to the firm.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.
Robert Cameron Smith	Refused to provide on-the-record testimony requested by FINRA in connection with its investigation of his sale of unregistered notes issued by his non-FINRA member firm and his use of donations made to or through his member firm.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.
Gloria Willis	Refused to appear for on-the-record testimony requested by FINRA in connection with an investigation into the circumstances of her termination from her member firm.	FINRA Rule 8210	Barred from association with any FINRA member firm in all capacities.

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Gary Bowman	Engaged in an unsuitable pattern of early rollovers of unit investment trusts (UITs).	FINRA Rule 2111	Suspended from association with any FINRA member in all capacities for three months and fined \$10,000.
Fernando Luis Monllor Arzola	Obtained a pre-signed letter of authorization from a customer, added information to the letter and used it to effect a transfer of funds between accounts belonging to the customer.	FINRA Rule 4511	Suspended from association with any FINRA member in all capacities for 30 business days and fined \$5,000.
Lawrence Moskowitz	Engaged in OBAs, one that he requested approval for and was prohibited from engaging in by his member firm, and another that he failed to disclose for six years.	FINRA Rule 3270	Deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for four months.
Stuart L. Pearl	Recommended the purchase of leveraged and inverse ETFs to customers without having a sufficient understanding of the risks and features associated with these products and thereby failed to have a reasonable basis to make these recommendations.	FINRA Rule 2111	Deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months.
Douglas Szempruch	Engaged in quantitatively unsuitable and excessive trading in customer accounts.	FINRA Rule 2111, FINRA Rule 2210	\$99,720.87 in restitution to customers and suspended from association with any FINRA member in all capacities for 12 months.
Christian Murray Evans	Engaged in an OBA without providing prior written notice to his member firm.	FINRA Rule 3270	Deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months.
Luis Fernando Restrepo	Failed to reasonably establish and implement an AML compliance program reasonably designed to detect and cause the reporting of suspicious activity as well as reasonably designed Customer Identification Program (CIP).	Section 5 of the Securities Act	Suspended from association with any FINRA member in any principal capacity for six months and required to requalify by examination as a principal prior to acting in that capacity with any FINRA member.

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Timothy Ray Plant	Participated in private securities transactions by placing trades in retirement accounts held at another firm, without providing notice to his member firm.	FINRA Rule 3280	Deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for five months.
Kenric Lamont Sexon	Made negligent misrepresentations in an application to the SBA seeking an economic injury disaster loan.	FINRA Rule 2010	Deferred fine of \$2,500 and suspended from association with any FINRA member in all capacities for one month.
Gilbert Anthony Kuta	Exercised discretion without written authorization in customers' accounts and his member firm had not approved any of the accounts for discretionary trading.	NASD Rule 2510(b) and FINRA Rule 2010	\$5,000 fine and suspended from association with any FINRA member in all capacities for 10 days.
Chelsie Marie Hovingh nka Chelsie Marie Jensen	Impersonated a customer during a phone call with a firm.	FINRA Rule 2010	Deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 20 business days.
Lydia Socorro Santiago	Used a pre-signed letter of authorization for a customer to effect a liquidation of funds.	FINRA Rule 2010, FINRA Rule 4511	Suspended from association with any FINRA member in all capacities for 20 business days.
Evelyn Batista	Made reckless misrepresentations in a loan application and loan agreement she submitted to the SBA to obtain an economic injury disaster loan.	FINRA Rule 2010	Suspended from association with any FINRA member in all capacities for seven months.
Irma Salas	Used a pre-signed letter of authorization from customers, who were married, to effect transfers of funds among their accounts.	FINRA Rule 2010, FINRA Rule 4511	Suspended from association with any FINRA member in all capacities for 20 business days.

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Mercer Hicks III	Made unsuitable recommendations to senior customers in violation of customer-specific suitability obligations by recommending purchases of high-risk, illiquid, non-traded securities offered by several real estate investment trusts and a business development corporation to the customers, without first satisfying the suitability rule's requirements.	FINRA Rule 2111	Barred from association with any FINRA member in all capacities and to pay disgorgement in the amount of \$38,812.60 in commissions received.  (The sanctions are not in effect pending NAC review.)
Matthew R. Logan	Cheated on non-FINRA continuing education courses, including an ethics continuing education course, several AML continuing education courses and a processing checks and securities training, by using an impostor to take the courses for him.	FINRA Rule 2010	Barred from association with any FINRA member in all capacities.  (The sanctions are not in effect pending NAC review.)