

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Association of
Brian D. Yarch
(CRD No. 4075003)

as

a General Securities Representative, a
General Securities Principal, a Municipal
Securities Principal, an Options Principal, a
Financial Operations Principal, and as an
Associated Person

with

Regulus Financial Group, LLC
(CRD No. 150631)

Notice Pursuant to
Rule 19h-1 of the
Securities Exchange Act
of 1934

SD-2312

December 2, 2022

I. Introduction

On October 4, 2021, Regulus Financial Group, LLC (“Regulus” or the “Firm”) filed a Membership Continuance Application (“MC-400” or “Application”) with FINRA’s Credentialing, Registration, Education, and Disclosure Department (“CRED”) seeking to continue its association with Brian D. Yarch (“Yarch”), a person subject to statutory disqualification, as a General Securities Representative (“GS”) and an Associated Person.¹ Subsequently, the Firm filed an amended MC-400 with FINRA’s Department of Member Supervision (“Member Supervision,” or “Department”) seeking to continue its association with Yarch as a General Securities Principal (“GSP”), a Municipal Securities Principal (“MSP”), an Options Principal, and a Financial Operations Principal (“FINOP”) (“Amended MC-400”).² A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA approves the Firm’s Application and Amended MC-400 and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

¹ See MC-400 and related attachments compiled by CRED, f/k/a Registration and Disclosure, and provided to the parties and FINRA’s Office of General Counsel (“OGC”) on October 27, 2021, attached as Exhibit 1. In its application, the Firm indicated that Yarch is an 18% indirect owner of the Firm. *Id.* at p. FINRA00147, Response 1.

² See Amended MC-400 at p. 3, Response 3, attached as Exhibit 2. See cover page of Exhibit 2 – this Amended MC-400 was erroneously dated December 28, 2022 but was sent to Member Supervision on March 3, 2022.

II. The Statutorily Disqualifying Event

Yarch is subject to statutory disqualification, as that term is defined in Exchange Act Section 3(a)(39)(F), which incorporates by reference Section 15(b)(4)(D), due to a September 16, 2021 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that he willfully violated Section 206(2) of the Investment Advisers Act by failing to provide advisory services to certain clients’ accounts, that were charged fees for said services (“SEC Order”).³ The Commission further found that Yarch caused a registered investment adviser,⁴ which he partially owns, to willfully violate Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, in that the investment adviser charged advisory fees to clients’ accounts for which it did not provide advisory services, it failed to disclose conflicts of interest arising from compensation received from an affiliated portfolio manager, and it failed to adopt and implement written policies and procedures reasonably designed to prevent these violations.⁵

Yarch was ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act, and from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.⁶ The SEC also imposed limitations on Yarch in that he shall not act as a Chief Compliance Officer (“CCO”) with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization from the date of the SEC Order with a right to reapply in three years.⁷ He was also ordered to pay a civil penalty of \$50,000.⁸

III. Background Information

A. Yarch

1. Proposed Duties, Responsibilities, and Ownership Interest in Regulus

Yarch is currently an 18% indirect owner of Regulus,⁹ and the Firm has proposed that he works from the Firm’s home office located at 2687 44th St SE Kentwood, MI 49512 as a GS, a GSP, an

³ See SEC Order, *In re Regal Investment Advisors LLC, John A. Kailunas, II, and Brian D. Yarch*, Exchange Act Release No. 34-93035, attached as Exhibit 3, at p. 2.

⁴ The SEC Order identifies this entity as Regal Investment Advisors LLC, of which Yarch owns 18%. *Id.* at p. 2.

⁵ *Id.* at p. 6.

⁶ See Exhibit 3 at p. 8.

⁷ *Id.*

⁸ *Id.* at p. 9. FINRA confirmed that the civil penalty was paid. According to the Firm, Yarch issued payment to the trust account for his counsel, KattenMuchinRosenman LLP, which was subsequently wired to the Fair Funds Account as required by the SEC Order. The Firm provided to FINRA banking records evidencing this transaction.

⁹ See Exhibit 2 at p. 3, Sec. 2, Response 1. Yarch is an “associated person of a member” through his 18% indirect ownership of Regulus. This notice also serves as FINRA’s Notice under SEA Rule 19h-1(a)(2)(i), regarding the continuance in FINRA membership of Regulus, notwithstanding its continued association with Yarch, who is subject to statutory disqualification.

MSP, an Options Principal, and a FINOP.¹⁰ The Firm represented that as a Registered Representative, Yarch would work with retail clients assigned to him by the Firm.¹¹ His day to day activities would include meeting with clients, reviewing client investments, providing recommendations, and processing service requests.¹² He would also consult with colleagues on business and operational issues.¹³ Additionally, the Firm stated that Yarch will work as a backup for the FINOP, if the relationship with Regulus' current FINOP changes prior to another registered representative becoming licensed to take over that role.¹⁴ He would also function as a back-up Options Principal and MSP.¹⁵ As a GSP, the Firm represented that Yarch will serve as "a designated principal with primary responsibilities as a backup to other designated principals who review advertising, account opening documentation, and firm trading activity should the need arise."¹⁶ Moreover, the Firm represented that Yarch "will not be responsible for the supervision of his own activity within any of the principal roles he holds."¹⁷

Although the Firm requested that Yarch maintains his principal registrations and stated that Yarch is still an 18% indirect owner of the Firm, Regulus represented that his indirect ownership interest does not confer authority on Yarch to fire or hire Firm personnel, direct the advertising of the Firm, or provide input in connection with the Firm's business lines.¹⁸ Notably, he has no authority to hire or fire the proposed supervisors, discussed below, nor does he have authority to direct the business activities of said supervisors or how they are compensated for their work.¹⁹

The Firm also represented that Yarch conducts a relatively small retail business at Regulus and that he generates approximately ten direct new business accounts per month and does an average of one trade every two days in existing brokerage accounts; he also handles routine account maintenance and operational issues for accounts.²⁰ For his work, Yarch is paid through "commissions and payroll related to his role as the FINOP and other principal registrations."²¹ The Firm further explained that it earns commissions from selling agreements with mutual funds and insurance vendors for whom Yarch writes business and a percentage of those commissions are

¹⁰ See Exhibit 2 at p. 3, Sec. 2, Response 3, and p. 4, Response 6.

¹¹ See Firm's Correspondence at p. 2, Response 2 dated January 27, 2022, attached as Exhibit 4 (without attachments).

¹² *Id.*

¹³ *Id.*

¹⁴ See Firm's Correspondence at Response 1, received by Member Supervision on September 15, 2022, attached as Exhibit 5.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ See Exhibit 5 at Response 2.

¹⁹ *Id.* at Response 6.

²⁰ See Exhibit 4, pp. 3-4, at Response 7.

²¹ See Exhibit 2 at p. 3, Section 2, Response 5.

paid to Yarch pursuant to an agreement between Yarch and Regulus.²² Additionally, “Yarch also receives commissions pursuant to selling agreements with various vendors of insurance and mutual fund products... [and] brokerage commissions from the clearing firm, Pershing.”²³ The Firm also stated that Yarch does not receive any compensation from the Firm due to his 18% indirect ownership interest in Regulus.²⁴

In a response to FINRA, the Firm stated that it implemented several measures to disengage Yarch from the CCO role and any compliance duties associated therewith.²⁵ According to the Firm, Yarch stepped down from the role of CCO in October 2019 before the SEC Order was issued and has not been engaged in duties as Regulus’ CCO since then.²⁶ As such, he no longer has access to the Firm’s CRD portal or other compliance department tools.²⁷ Further, a compliance team monitors Yarch’s email communications daily, and a licensed principal is required to be present in the office at any time Yarch is present.²⁸ Yarch is also required to obtain pre-approval for all trade activity and each business day he is required to meet with a principal of the Firm, via web conference or in person, to discuss his daily activities.²⁹

2. Registration History

Yarch first entered the securities industry by passing the Investment Company and Variable Contracts Products Representative Examination (Series 6) in May 2000 and passed the Uniform Securities Agent State Law Examination (Series 63) in September 2000.³⁰ He later qualified as a GS (Series 7) in January 2001, became a GSP (Series 24) in May 2001 and passed the Uniform Investment Adviser Law Examination (Series 65) in August 2001.³¹ Yarch passed the MSP Examination (Series 53) in January 2008, became a FINOP (Series 27) in January 2009, and an Options Principal (Series 4) in March 2009.³² He is also approved to work for the Firm as an Operations Professional (Series 99) since September 2014.³³ Further and in compliance with the

²² See Exhibit 4, p. 2, Response 3.

²³ *Id.*

²⁴ *Id.* at pp. 2-3, Response 4.

²⁵ See Exhibit 4, pp. 1-2, Response 1.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ See CRD Snapshot for Yarch at pp. 17-18, attached as Exhibit 6.

³¹ *Id.*

³² *Id.* Yarch was given credit for the Securities Industry Essentials Examination in October 2018. See also FINRA Regulatory Notice 17-30, available at <https://www.finra.org/rules-guidance/notices/17-30>.

³³ See Exhibit 6 at p. 4.

interim heightened supervision plan, the Firm terminated Yarch’s Compliance Officer Registration in April 2022.³⁴

3. Employment History

Yarch has been associated with the following member firms during the following periods:³⁵

<u>Employer</u>	<u>Dates of Employment</u>
Regulus	October 2009 – Present
American Portfolios Financial Services, Inc.	February 2010 – December 2014
Sagepoint Financial, Inc. ³⁶	October 2005 – February 2010
Sunamerica Securities, Inc.	June 2000 – October 2005
Washington Square Securities, Inc.	April 2000 – July 2000
Signator Investors, Inc. ³⁷	May 1999 – January 2000

4. Outside Business Activities (“OBAs”)

Yarch reported four OBAs, all located at 2687 44th St. Kentwood, MI on which he spends approximately 19 hours per week.³⁸ He reported that he works as an agent with Regal Financial Group since January 2000, selling and marketing fixed insurance products; president of Duece, Inc. since April 2003, selling fixed insurance products; registered investment adviser with Regal Investment Advisor since August 2002, doing fee-based planning; and principal of Regulus, LLC, owner of Regal Holdings of America, which owns the Firm.³⁹

5. Recent Regulatory and Disciplinary History

Apart from the disqualifying event, Yarch and the Firm signed a stipulation with New York Department of Financial Services (“Stipulation”) on or about May 17, 2022.⁴⁰ According to Stipulation, Yarch and the Firm admitted to providing incorrect and untrue information to the Department within the meaning of Section 2110(a)(2) of the Insurance Law in that they failed to disclose that the co-respondent, Regulus Advisors, LLC⁴¹ was fined by the Insurance Commissioner of the state of Washington (“WIC”) and Louisiana Department of Insurance (“LDF”); and they also violated Section 2110(i) of the Insurance Law in that they failed to timely

³⁴ *Id.* See also Interim Heightened Supervision Plan dated April 18, 2022 at provision 7, attached as Exhibit 7.

³⁵ See Exhibit 6 at pp. 4-11.

³⁶ Yarch resigned while he was under internal review for possible violations of Reg. S-P and the firm’s privacy policy concerning the sharing of confidential client information with terminated representatives for a fee.

³⁷ Yarch was terminated because his representative contract was not renewed.

³⁸ See Exhibit 6 at p. 17.

³⁹ *Id.*

⁴⁰ See Stipulation, No. 2022-0072-S, *In the Matter of the Applications and/or Licenses of Regulus Advisors LLC and Brian D. Yarch* dated May 17, 2022, attached as Exhibit 8.

⁴¹ See CRD Excerpt - Organization Names List, attached as Exhibit 9. Regulus Advisors LLC is the former name of the Firm.

report the final disposition of the action taken by WIC against Firm.⁴² Consequently, Yarch and the Firm agreed to the imposition of a penalty in the amount of \$1,250.00 and to take necessary steps to prevent a recurrence of similar violations.⁴³

On January 4, 2022, Yarch and the Firm signed a Consent Order with the Insurance Commissioner of The Commonwealth of Pennsylvania (“PAIC”) for failing to notify the Commissioner that WIC had temporarily revoked the Firm’s insurance license and subsequently rescinded that revocation in lieu of an agreement to pay a fine and that LDI jointly fined Yarch and the Firm for failing to notify LDI of the Washington action.⁴⁴ Accordingly, PAIC found that Yarch and the Firm violated of 40 P.S. §§ 310.11 (20) and 310.78(a) and ordered Yarch and the Firm to cease and desist and to pay a civil penalty of \$250.00.⁴⁵

On July 31, 2020, LDI issued a Notice of Fine to the Firm and to Yarch, as the licensed individual who was responsible for the Firm’s compliance with Louisiana insurance laws.⁴⁶ LDI determined that the Firm failed to timely disclose to LDI the Washington action in violation of La. R.S. 22:1563(A) and jointly fined Yarch and the Firm \$250.00 for this violation.⁴⁷

6. Prior SEA Rule 19h-1 and 19d-1 Notices

Yarch has no previous approvals or denials pursuant to Exchange Act Rules 19h-1 or 19d-1.

B. The Firm

Regulus has been a FINRA member since July 2010 and has a home office, its only Office of Supervisory Jurisdiction (“OSJ”), which is located at 2687 44th St., SE, STE 101, Kentwood, MI

⁴² See *Consent Order Rescinding Order Revoking License No. 20-0372 and Levying a Fine*, dated May 15, 2020, attached as Exhibit 10. On May 4, 2020, Washington Insurance Commissioner issued an order revoking the Firm’s insurance license; the order was due to become effective May 19, 2020 for the Firm’s failure to have at least one affiliated individual licensee and its failure to respond to inquiries. However, on May 6, 2020, the Firm consented to an order whereby the WIC rescinded the Order of Revocation in lieu of the Firm’s agreement to pay a \$250.00 fine.

⁴³ The Stipulation does not constitute a statutory disqualifying event within the meaning of Exchange Act § 3 (a)(39)(F), which incorporates by reference Section 15(b)(4)(H) because there was no bar, suspension or revocation of Yarch’s New York State insurance license and this matter does not constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive (“FMD”) conduct. Section 2110(a)(2) of NY Ins. Law does not prohibit FMD conduct, and the New York Department of Financial Services did not make any such findings.

⁴⁴ See PAIC Consent Order, Docket No. CO21-12-017, *In Re Brian D. Yarch and Regulus Financial Group, LLC* dated January 4, 2022, attached as Exhibit 11.

⁴⁵ The PAIC Consent Order does not constitute a disqualifying event within the meaning of Exchange Act § 3 (a)(39)(F), which incorporates by reference Section 15(b)(4)(H) because there was no bar, suspension, or revocation of Yarch’s insurance license, and this matter does not constitute a final order based on violations of any laws or regulations that prohibit FMD conduct. 40 P.S. §§ 310.11 (20) and 310.78(a) do not prohibit FMD conduct.

⁴⁶ See LDI *Notice of Fine* dated July 31, 2020, attached as Exhibit 12. This action does not constitute a disqualifying event within the meaning of Exchange Act § 3 (a)(39)(F), which incorporates by reference Section 15(b)(4)(H) because there was no bar, suspension, or revocation of Yarch’s insurance license, and this matter does not constitute a final order based on violations of any laws or regulations that prohibit FMD conduct.

⁴⁷ *Id.*

49512.⁴⁸ According to CRD, the Firm has 55 registered branch location, one of which is an OSJ, and 59 non-registered locations.⁴⁹ Regulus employs 111 registered individuals, 14 of whom are registered principals, and 46 non-registered fingerprinted persons.⁵⁰ Apart from Yarch, the Firm currently employs one other statutory disqualified individual.⁵¹ The Firm engages in the following lines of business:⁵² broker or dealer retailing corporate equity securities over-the-counter, broker or dealer selling corporate debt securities, mutual fund retailer, municipal securities broker, broker or dealer selling variable life insurance or annuities, solicitor of time deposits in a financial institution, put and call broker or dealer or option writer, broker or dealer selling tax shelters or limited partnerships in primary distributions, broker or dealer involved in a networking, kiosk, or similar arrangement with a bank, savings bank or association, or credit union, and other securities business⁵³ such as recruitment of registered representatives; selling of publicly traded and non-traded REITS; and developing companies that are publicly traded and non-traded.

1. FINRA Examinations

In the past five years, FINRA completed one routine and one non-routine examination of the Firm. The routine examination was closed without any findings on July 24, 2019.⁵⁴ For the non-routine examination, FINRA issued the Firm a Cautionary Action in connection with the one exception noted, which pertained to the Firm's failure to adequately follow the instructions for filing Form CRS.⁵⁵ The Firm responded in writing that it implemented corrective measures for the noted deficiency.⁵⁶

⁴⁸ See CRD Snapshot for Regulus at p. 3, attached as Exhibit 13.

⁴⁹ This information was confirmed from an analysis of the Firm's information contained in CRD, last performed on December 1, 2022.

⁵⁰ *Id.*

⁵¹ John Anthony Kailunas (CRD No. 2048289), an associated person of the Firm through his indirect ownership, is also subject to a statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(E), as the result of the same SEC Order. According to CRD, the Firm submitted an affirmation to FINRA that Kailunas' sanctions are no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue Kailunas's association with the Regulus is no longer required under FINRA rules. See also [FINRA Regulatory Notice 09-19](#) (June 15, 2009). He is currently classified as a Tier 3 statutorily disqualified individual, permitted to associate without any special supervision. In terms of FINRA's notice requirements under Exchange Act Rule 19h-1 for Regulus' continued association with Kailunas, notwithstanding his disqualification, "Exchange Act Rule 19h-1(a)(3)(iii)(B) provides an exception from the notice filing requirement for "persons who are subject to a statutory disqualification solely due to a finding of a willful violation of the federal securities laws or a rule or regulation thereunder, if the sanctions are no longer in effect." See [Gliniecki No Action Letter](#), dated March 17, 2009 at p. 3.

⁵² See CRD Excerpt: Types of Business, attached as Exhibit 14.

⁵³ *Id.* at p. 2.

⁵⁴ See Examination Report for Examination No. 20190607058 dated July 24, 2019, attached as Exhibit 15.

⁵⁵ See Disposition Letter dated May 21, 2021, Examination Report for Examination No. 20200686685 dated April 27, 2021, and the Firm's Response undated, collectively attached as Exhibit 16.

⁵⁶ See Firm's Response at Exhibit 16, p. 6.

2. Firm Regulatory/Disciplinary History

The Firm is subjected to the following regulatory actions previously described above: (1) Stipulation, No. 2022-0072-S, *In the Matter of the Applications and/or Licenses of Regulus Advisors LLC and Brian D. Yarch* dated May 17, 2022;⁵⁷ (2) Consent Order Rescinding Order Revoking License No. 20-0372 and Levying a Fine, dated May 15, 2020;⁵⁸ (3) PAIC Consent Order, Docket No. CO21-12-017, *In Re Brian D. Yarch and Regulus Financial Group, LLC* dated January 4, 2022;⁵⁹ and (4) LDI Notice of Fine dated July 31, 2020.⁶⁰ Member Supervision is not aware of any disciplinary actions against the Firm.

IV. Proposed Supervision

A. Primary Supervisor – Donald Nate Carlson (CRD No. 2903454)

The Firm proposed Donald Nate Carlson (“Carlson”), the Firm’s President, as Yarch’s primary supervisor.⁶¹ Carlson works from the same location as Yarch.⁶² He has been employed by the Firm since January 2014⁶³ and serves as its president⁶⁴ and holds less than 5% ownership interest in the Firm.⁶⁵ Carlson and Yarch are not related by blood or marriage and has no business or financial relationship distinct from the proposed employment and their ownership interest in the Firm.⁶⁶

As president of the Firm, Regulus relayed that Carlson sits on the Firm’s executive team, “helping guide and direct key strategic initiatives for the broker dealer.”⁶⁷ As part of his daily activities, the Firm represented that Carlson works directly with the representatives assisting them with business development and practice management.⁶⁸ He recruits potential hires, reviews and signs off on the Firm’s risk management and compliance processes, meets periodically, with compliance and risk review team to address outstanding issues and provide guidance on the Firm’s internal policies and procedures.⁶⁹

⁵⁷ See Exhibit 8. The Firm reported that the \$1,250 fine was paid on May 12, 2022. See Exhibit 13 at p. 14.

⁵⁸ See Exhibit 10. The Firm reported that the \$250 fine was paid on May 15, 2020. See Exhibit 13 at p. 12.

⁵⁹ See Exhibit 11. The Firm reported that the \$250 fine was paid. See Exhibit 13 at p. 10.

⁶⁰ See Exhibit 12. The fine was paid on August 17, 2020. *Id.* at p. 3.

⁶¹ See Exhibit 5 at Response 4.

⁶² *Id.* at Response 5(d).

⁶³ See CRD Snapshot for Carlson at p. 5, attached as Exhibit 17.

⁶⁴ See Exhibit 13 at p. 5; see also Exhibit 5 at Response 5(c).

⁶⁵ See CRD Excerpt – Direct Owners/Executive Officers, attached as Exhibit 18.

⁶⁶ See Exhibit 5 at Responses 5(g), (h) and (i).

⁶⁷ *Id.* at Response 5(a).

⁶⁸ *Id.*

⁶⁹ *Id.*

Additionally, the Firm stated that Carlson has experience supervising registered individuals over the course of 18 years as a registered principal, which includes reviewing trades, emails, and branch audits.⁷⁰ Further, the Firm represented that Carlson also has experience supervising individuals on heightened supervision.⁷¹ Currently, he has two unregistered direct reports, who assist him with business development, recruiting, and onboarding of new representatives.⁷² Moreover, the Firm represented that Carlson has already begun sharing the responsibility for supervising Yarch.⁷³ Along with other principals at the Firm, Carlson monitors Yarch's daily activities and meets with him weekly to discuss potential issues and to ensure that there is coverage for Yarch's in-office supervision.⁷⁴

1. Registration and Employment History

Carlson entered the securities industry by passing the Investment Company and Variable Contracts Products Representative Examination (Series 6) and the Uniform Securities Agent State Law Examination (Series 63) in March 1999.⁷⁵ He became a GS (Series 7) in May 2000 and passed the Uniform Investment Adviser Law Examination (Series 65) in March 2000.⁷⁶ He later qualified as a GSP (Series 24) in January 2004.⁷⁷

Carlson has been associated with the following firms during the following periods:⁷⁸

<u>Employer</u>	<u>Dates of Employment</u>
Regulus	January 2014 – Present
American Portfolios Financial Services, Inc.	March 2009 – December 2013
Sagepoint Financial, Inc.	October 2005 – March 2009
Sunamerica Securities, Inc.	January 2003 – October 2005
USA Financial Securities Corporation	January 2002 – January 2003
AXA Advisors, LLC	May 2000 – December 2001
Old Kent Financial Advisors	February 1999 – May 2000

2. OBA's

Carlson reported that he provides insurance services and insurance products through Regal Financial Group/Regal Investment Advisors, of which he is a part owner, and Regulus Advisors,

⁷⁰ *Id.* at Response 5(e).

⁷¹ *Id.*

⁷² *Id.* at Response 5(f).

⁷³ *See* Exhibit 4, pp. 1-2, Response 1.

⁷⁴ *Id.*

⁷⁵ *See* Exhibit 17 at pp. 14-15.

⁷⁶ *Id.*

⁷⁷ *Id.* Carlson was given credit for the Securities Industry Essentials Examination in October 2018. *See also* FINRA Regulatory Notice 17-30, available at <https://www.finra.org/rules-guidance/notices/17-30>.

⁷⁸ *See* Exhibit 17 at pp. 5-8.

LLC.⁷⁹ He is also part-owner of Regal Holdings of America, the 75% indirect owner of the Firm.⁸⁰ Additionally, he is the co-founder of *Its Gotta Be The Shoes*, a non-investment related charity organization on which he spends 5 hours per month outside of trading hours, leading and directing the charity. He reported that he receives no compensation.⁸¹

3. Recent Regulatory and Disciplinary History

Member Supervision is not aware of any recent disciplinary or regulatory proceedings, complaints, or arbitrations against Carlson.⁸²

B. Alternate Supervisor - Benjamin Eric Westin (CRD No. 6505105)

The Firm proposed Ben Westin (“Westin”), the Firm’s CCO, as Yarch’s alternate supervisor.⁸³ Westin and Yarch will work from the same office location.⁸⁴ As the Firm’s CCO, Westin is responsible for the Firm’s compliance operations and oversees all the Firm’s registered representatives in that capacity.⁸⁵ However, he only directly supervises two registered representatives, both of whom are compliance officers.⁸⁶ Westin also has supervisory responsibilities to oversee a compliance team, inclusive of his two direct reports, two additional representatives and four individuals currently on heightened supervision, one of whom is Yarch.⁸⁷ Westin and Yarch are not related by blood or marriage and has no business or financial relationship distinct from the proposed employment.⁸⁸

1. Registration and Employment History

Westin first registered in the securities industry as a GS (Series 7) in July 2015 and passed the Uniform Combined State Law Examination (Series 66) in August 2015.⁸⁹ He then qualified as a GSP (Series 24) in June 2017, an MSP (Series 53) in March 2018, a Municipal Securities

⁷⁹ *Id.* at p. 14.

⁸⁰ *Id.* See also Exhibit 18.

⁸¹ See Exhibit 17 at p. 14.

⁸² *Id.* at p. 19.

⁸³ See Exhibit 5 at Response 4.

⁸⁴ See Exhibit 2 at p. 5, Response 6.

⁸⁵ See Exhibit 4 at p. 4.

⁸⁶ *Id.*

⁸⁷ *Id.* As proposed, Yarch would be directly supervised by Carlson upon approval of this Notice.

⁸⁸ See Exhibit 2 at pp. 4-5, Sec. 3 – Part I, Responses 3 and 4.

⁸⁹ See CRD Snapshot for Westin at p. 8, attached as Exhibit 19.

Representative (Series 52TO) in March 2019, and an Options Principal (Series 4) in August 2019.⁹⁰ He is also approved to work as an Operations Professional since November 2019.⁹¹

Westin has been associated with the following member firms during the following periods:⁹²

<u>Employer</u>	<u>Dates of Employment</u>
Regulus	May 2017 – Present
Morgan Stanley	June 2015 – May 2017

2. OBAs

Westin does not report any OBAs.⁹³

3. Recent Regulatory and Disciplinary History

Member Supervision is not aware of any additional recent disciplinary or regulatory proceedings against Westin.⁹⁴

C. Proposed Plan of Supervision

The Firm has agreed to the following heightened supervision plan (“Supervision Plan”)⁹⁵ to continue its association with Brian D. Yarch (“Yarch”), notwithstanding his disqualification resulting from the September 16, 2021 SEC Order that imposed limitations in that Yarch shall not act as a Chief Compliance Officer (“CCO”) with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, from the date of the SEC Order, with a right to reapply in three years. The Supervision Plan shall be in effect until Yarch’s re-application and approval to act in a CCO capacity.

The conditions of the Supervision Plan include:

1. Donald Nate Carlson (CRD No. 2903454) (“Carlson”) is the primary supervisor responsible for the supervision of Yarch.
2. If Carlson is on vacation or out of the office for an extended period, Benjamin Eric Westin (CRD No. 6505105) (“Westin”) will act as the on-site interim supervisor for Yarch.

⁹⁰ *Id.*

⁹¹ *Id.* at p. 4. Westin was given credit for the Securities Industry Essentials Examination in October 2018. *See also* FINRA Regulatory Notice 17-30, available at <https://www.finra.org/rules-guidance/notices/17-30>.

⁹² *See* Exhibit 19 at pp. 4-5.

⁹³ *Id.* at p. 8.

⁹⁴ *Id.* at p. 11.

⁹⁵ *See* Supervision Plan dated November 22, 2022, attached as Exhibit 20.

3. Carlson will supervise Yarch from 2687 44th St SE Kentwood, MI 49512.
4. Yarch will not act as a chief compliance officer or a compliance officer or have any duties, or responsibilities as such.
5. Yarch will not act in a supervisory capacity. Additionally, Yarch will not be responsible for the supervision of his own activity within any of the principal roles he holds.
6. Yarch will notify Carlson and Carlson will approve prior to Yarch assuming any principal capacity roles (including back-up roles outlined in provision #7). Carlson and Yarch will document the approval. Carlson must keep the documentation relating to Yarch's principal activity approvals segregated for ease of review by FINRA staff.
7. Yarch will serve as a backup and be ready to step into the Financial Operations Principal's ("FINOP") role if the relationship with the Firm's current FINOP changes. Further, Yarch would also serve as a backup General Securities Principal to designated principals who are responsible for reviewing advertising, account opening documentation, and firm trading activity and a backup Options Principal and Municipal Securities Principal.
8. Yarch will not maintain discretionary accounts for customers of Regulus Financial Group, LLC.
9. As a registered representative of Regulus Financial Group, LLC and an investment advisor representative of Regal Investment Advisors, LLC, Yarch will offer the product lines approved by the Firm.
10. Carlson will review all Yarch's existing securities accounts (e.g., customer, familial, and personal), and Yarch will obtain approval prior to the opening of any new accounts. Paperwork relating to the opening of accounts will be documented, reviewed, and approved with a dated electronic approval stamp. Copies of all documents shall be maintained and kept in COMET, the Firm's electronic storage system for easy retrieval and kept segregated for ease of review by FINRA staff.
11. All Yarch's securities transactions shall be reviewed and approved by Carlson prior to execution. Evidence of the review will be kept segregated for ease of review by FINRA staff.
12. Carlson will review Yarch's incoming hard copy and electronic correspondence and document the review. Review shall be done weekly or within a reasonable time, accounting for vacation and weekends. Evidence of the review will be kept segregated for ease of review by FINRA staff.

13. Yarch will not be permitted to use any email address other than the Firm's email address for business communications. If Yarch receives business-related email messages in an email account outside the Firm, he will immediately deliver that message to the Firm's email account. In addition, Yarch will inform the Firm of all outside email accounts which he maintains and will provide the Firm access to the accounts upon request.
14. All complaints pertaining to Yarch, whether verbal or written, will be immediately referred to his supervisor for review, and then to the Compliance Department. Carlson will prepare a memorandum to the file as to measures taken to investigate the merits of the complaint (e.g., contact with the customer) and the resolution of the matter.
15. On an annual basis, the Firm will utilize a third-party vendor to conduct a public records search, to ascertain if Yarch has any new events required to be disclosed pursuant to FINRA's disclosure rules. Carlson will document the outcome of each search and maintain and keep segregated all documentation for ease of review by FINRA staff.
16. Yarch will disclose promptly any of the following (if applicable): liens, judgments, bankruptcy and any other reportable matters, updates to outside business activities, probation status, probation reports, evidence of payment of liens and ordered fines, disgorgement or civil penalties.
17. On an annual basis, Carlson will meet with Yarch to review any regulatory disclosures to ensure that Yarch has complied with his disclosure obligations. Carlson will maintain a log of these meetings and keep the log segregated for ease of review by FINRA staff.
18. All documents pertaining to the supervision of the Yarch will be kept on Regulus Financial Group, LLC's electronic storage system for ease of review by FINRA staff.
19. Carlson will certify on a quarterly basis (March 31st, June 30th, September 30th, and December 31st) that he and Yarch have followed all the above conditions of the Supervision Plan. Such certifications will be kept segregated for the ease of review by FINRA staff.
20. Regulus Financial Group, LLC must obtain prior approval from FINRA's Statutory Disqualification Group ("SD Group") to change the supervisor(s) or any material provisions to this Supervision Plan. The request may be submitted to SDMailbox@finra.org.

V. Discussion

After a careful review of the entire record in this matter, FINRA approves Regulus' Application to associate with Yarch as a General Securities Representative, a General Securities Principal, a Municipal Securities Principal, an Options Principal, a Financial Operations Principal, and an Associated Person, subject to the supervisory terms and conditions outlined herein.

In approving the Firm's application, Member Supervision relies primarily on the principles articulated in *Paul Edward Van Dusen*, 1981 SEC LEXIS 270, 47 S.E.C. 668 (S.E.C. January 1, 1981). *Van Dusen* stands for the proposition that where the Commission has addressed an individual's misconduct through its administrative process that gave rise to a statutory disqualification, and the time period specified in the order has elapsed, in the absence of new information reflecting adversely on the individual's ability to function in their proposed employment, it is "inconsistent with the remedial purposes of the Securities and Exchange Act [of 1934]" and unfair to deny an application for re-entry into the securities industry. 1981 SEC LEXIS 270, *8, 47 S.E.C. 668, 671 (S.E.C. January 1, 1981). Importantly, these principles provide that Member Supervision should not reconsider events Commission has already considered in addressing the misconduct that gave rise to the disqualification and should not deny an application for reentry solely because of the same misconduct. However, *Van Dusen* does not require the automatic reentry after a time period has elapsed. Instead, the Commission instructed that other factors must be carefully weighed and considered such as other misconduct in which the applicant may have engaged, the nature and disciplinary history of a prospective employer, and the supervision to be accorded the applicant. *Id.*

In applying the standard articulated in *Van Dusen* and the factors enunciated therein, Member Supervision approves the Firm's Application because the Department found no evidence that Yarch engaged in any intervening misconduct since the time of his disqualifying event. Outside of its recent events, the Firm has limited regulatory/disciplinary history. Further, in the past five (5) years, the Firm was only issued one Cautionary Action by FINRA for one exception noted in its 2020 non-routine examination pertaining to the Firm's failure to adequately follow the instructions for filing Form CRS.⁹⁶ The Firm acknowledged its failure and addressed FINRA's concerns.⁹⁷ Additionally, the Firm proposed a stringent Supervision Plan and suitably qualified/experienced supervisors, with no disciplinary history, to supervise Yarch's activities.

The Department recognizes that Yarch engaged in serious misconduct. However, the details of his violative conduct have been reviewed and addressed by the SEC. The Commission ultimately concluded that only limiting Yarch's function as a CCO, with a right to reapply in 3 years, and imposing a \$50,000 fine were appropriate sanctions to levy against him for his violation. Member Supervision also acknowledges Yarch paid the civil penalty promptly and that prior to the imposition of the disqualifying order, Yarch stepped down as Regulus' CCO, with his access to the Firm's CRD portal or other compliance department tools blocked by the Firm.⁹⁸ Further, a compliance team monitors Yarch's email communications daily, and a licensed principal is required to be present in the office at any time Yarch is present.⁹⁹ Yarch is also required to obtain pre-approval for all trade activity and each business day he is required to meet with a principal of the Firm, via web conference or in person, to discuss his daily activities.¹⁰⁰ Additionally, in

⁹⁶ See Exhibit 16.

⁹⁷ *Id.*

⁹⁸ See Exhibit 4, pp. 1-2, Response 1.

⁹⁹ *Id.*

¹⁰⁰ *Id.*

compliance with FINRA Rule 9522(f), the Firm implemented an interim plan of heightened supervision (“interim plan”).¹⁰¹ Significantly, the Firm recently terminated Yarch’s Compliance Officer registration in compliance with that interim plan. In doing so, the Firm demonstrated that it understood the seriousness of the limitation the Commission imposed upon Yarch and willingness to stringently supervise him.

In evaluating the Firm’s application, Member Supervision acknowledged Yarch’s 22-year securities industry experience and that, apart from the disqualifying and recent regulatory actions, he has not had other disciplinary actions taken against him. Yarch’s recent regulatory actions, filed by three states’ insurance commissioners (New York, Pennsylvania, and Louisiana), were in connection with his previous role as the individual who was responsible for the Firm’s compliance with applicable state insurance laws,¹⁰² a role he no longer performs. These regulatory actions resulted in *de minimis* fines that were promptly paid.

When employing a disqualified individual, a firm must prove that it will be able to adequately supervise that individual. To do so, the firm must establish a stringent plan of heightened supervision and show that it will be able to effectively implement such plan. *See Timothy H. Emerson, Jr.*, Exchange Act Rel. No. 60328, 2009 SEC LEXIS 2417. The Commission has held that a supervisory plan lacks the necessary intensive scrutiny when the supervisor will not be in close, physical proximity to the statutorily disqualified person. *See Robert J. Escobio*, Exchange Act Release No. 83501, 2018 SEC LEXIS 1512. Here the Firm is proposing in-person supervision, navigating around COVID-19 protocols. A licensed principal is required to be always present in the office with Yarch.

Moreover, the Firm has proposed qualified and experienced individuals, with clean disciplinary and regulatory records, to supervise Yarch’s activities. Although Yarch is an indirect owner of the Firm, Regulus represented that the ownership interest gives him no ability to fire or hire Firm personnel, to direct the advertising of the Firm, or provide input in connection with the Firm’s business lines. More importantly, he has no authority to hire or fire the proposed supervisors, nor direct the business activities of said supervisors or how they are compensated for their work. Further, the Firm proposed a comprehensive and stringent Supervision Plan to ensure Yarch’s future compliance in the securities industry which includes working in a principal capacity. In approving his principal capacity registrations, FINRA took into consideration the nature of the limitation imposed by the SEC Order and the stringency of the Supervision Plan proposed by the Firm. Notably, the Supervision Plan prohibits Yarch from acting in a supervisory capacity. Moreover, the Firm represented that Yarch will not be responsible for the supervision of his own activity within any of the principal roles he holds. The Firm has also agreed to specifically monitor Yarch’s principal business activities, which includes Carlson approving them prior to Yarch assuming any principal capacity roles and Carlson maintaining a log and keeping all documentation of such principal activity for ease of review by FINRA staff.

¹⁰¹ *See* Exhibit 7.

¹⁰² *See* Exhibits 8, 11, and 12.

Additionally, the Supervision Plan requires the Firm to review all Yarch's existing securities accounts and requires that all Yarch's securities transactions shall be reviewed and approved prior to execution. It also requires the Firm to use a third-party vendor to conduct semi-annual public records searches to ensure Yarch has complied with his regulatory disclosure obligations. Yarch and Carlson will also have scheduled meetings to ensure that any new events warranting disclosure are timely and properly disclosed. Further, the Supervision Plan calls for detailed documentation of all reviews, which will be kept segregated for the ease of review during any FINRA examination.

FINRA is approving the Firm's Application pursuant FINRA Rule 9523(b) which authorizes Member Supervision to accept the continuing association of a disqualified person pursuant to a supervisory plan where the sponsoring member consents to the imposition of a supervision plan. Yarch will be subject to the terms of the Supervision Plan up and until his re-application and approval to act in a CCO capacity. Regulus also consents to be obligated to the Supervision Plan during Yarch's limitation period. Upon this approval, Yarch and the Firm will be subject to routine FINRA examinations to ensure its ongoing compliance. FINRA intends to also utilize its surveillance processes to further monitor Yarch and the Firm.

Following the mandates of *Van Dusen*, FINRA is approving Regulus's Application given the tenets of the proposed Supervision Plan to effectively supervise Yarch's conduct. Member Supervision is satisfied that Yarch's association with Regulus would not pose a risk to the investing public. Yarch's proposed business activities consist of a relatively small retail business from which he generates approximately ten direct new business accounts per month and does an average of one trade every two days in existing brokerage accounts. His principal business activities would also be closely monitored under the Firm's proposed plan.

Therefore, in the absence of either new information that provides evidence that Yarch has engaged in misconduct since his disqualifying event, or other aggravating facts, FINRA approves the Firm's Application based on the principles set forth in *Van Dusen*.

VI. Conclusion

After applying the *Van Dusen* standard to this matter, FINRA approves Regulus's Application to continue its association with Yarch for the following reasons:

- Yarch is compliant with SEC Order and has paid the civil penalty;
- There has been no intervening misconduct by Yarch since the issuance of the disqualifying order of which the Department is aware;
- The Firm, Yarch and the proposed supervisors have relatively clean disciplinary records;
- The Firm has proposed qualified and experienced supervisors to supervise Yarch;
- The Supervision Plan is stringent and specifically tailored to Yarch's misconduct; and
- Yarch and the Firm will be subject to routine FINRA examinations and surveillance processes to ensure the Plan's ongoing compliance.

FINRA states that, to its knowledge, Yarch meets all applicable requirements for the proposed employment and the Firm represents that Yarch, Carlson, and Westin are not related by blood or

marriage. Pursuant to Rule 9523(b)(1), the Firm has submitted an executed letter consenting to the Supervision Plan and thus waiving certain rights, as detailed in the Rule.

The Department concludes that it would not constitute unreasonable risk of harm to the market and investors to permit Yarch's association with Regulus. In conformity with the provisions of Rule 19h-1, the association of Yarch with Regulus will become effective within 30 days of receipt of this Notice by the Commission, unless otherwise notified by the Commission.

On Behalf of FINRA,



Marcia Asquith
Executive Vice President & Corporate Secretary

Exhibits

SD-2312

1. MC-400 and related attachments compiled by CRED dated October 27, 2021.
2. Amended MC-400 received by Member Supervision March 3, 2022.
3. SEC Order, *In re Regal Investment Advisors LLC, John A. Kailunas, II, and Brian D. Yarch*, Exchange Act Release No. 34-93035.
4. Firm's Correspondence dated January 27, 2022 (without attachments).
5. Firm's Correspondence received by Member Supervision on September 15, 2022.
6. CRD Snapshot for Yarch.
7. Interim Heightened Supervision Plan dated April 18, 2022.
8. Stipulation, No. 2022-0072-S, *In the Matter of the Applications and/or Licenses of Regulus Advisors LLC and Brian D. Yarch* dated May 17, 2022.
9. CRD Excerpt - Organization Names List.
10. *Consent Order Rescinding Order Revoking License No. 20-0372 and Levying a Fine*, dated May 15, 2020.
11. PAIC Consent Order, Docket No. CO21-12-017, *In Re Brian D. Yarch and Regulus Financial Group, LLC* dated January 4, 2022.
12. *LDI Notice of Fine* dated July 31, 2020.
13. CRD Snapshot for Regulus.
14. CRD Excerpt: Types of Business.
15. Examination Report for Examination No. 20190607058 dated July 24, 2019.
16. Disposition Letter dated May 21, 2021, Examination Report for Examination No. 20200686685 dated April 27, 2021, and the Firm's Response undated.
17. CRD Snapshot for Carlson.
18. CRD Excerpt – Direct Owners/Executive Officers.
19. CRD Snapshot for Westin.
20. Supervision Plan dated November 22, 2022.