

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014038992501**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Howard L. Hull III, Respondent
Former General Securities Representative
Former General Securities Principal
Former Financial and Operations Principal
Former Operations Professional
CRD No. 2698088

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Howard L. Hull III submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Hull first entered the securities industry in October 1995 when he associated with former FINRA member firm HLH Securities Inc. and remained associated with the firm until its membership was cancelled in September 2015.¹ During his association with the firm, Hull was registered in various capacities, was an owner of the firm beginning at least by January 2000, and in recent years served as the firm's Vice President, Chief Compliance Officer ("CCO"), and FINOP.

Hull is not currently registered or associated with a member firm but is subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws. Hull has no disciplinary history.

¹ While associated with HLH Securities, Hull was also associated with, and registered with FINRA through, two other FINRA member firms—one from April 2005 through January 2010, and the other from May 2007 through June 2010.

OVERVIEW

Between August 2012 and January 2014 (the “relevant period”), Hull was the sole registered principal at HLH Securities and was responsible for all areas of the firm’s supervision, including its written supervisory procedures (“WSPs”), and maintenance of the firm’s books and records. During that period, Hull (i) failed to establish a system reasonably designed to supervise and failed to supervise private securities transactions, (ii) failed to update the firm’s written supervisory procedures to address the requirements of FINRA Rule 3270 and to conduct the required review under that rule, and (iii) failed to review, retain and supervise certain business-related emails and to establish a system, including written supervisory procedures, reasonably designed to supervise the review and retention of business-related emails.

As a result of these failures, Hull violated NASD Rules 3010² and 3040(c)³ and FINRA Rules 4511, 3270 and 2010. In addition, Hull also violated FINRA Rule 2010 by causing the firm to violate Section 17(a) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-4 thereunder.

FACTS AND VIOLATIVE CONDUCT

During the relevant period, Hull was an owner of HLH Securities, served as the firm’s Vice-President, CCO and FINOP, and was the sole registered principal responsible for all areas of the firm’s supervision, including its WSPs, and maintenance of the firm’s books and records.

1. Hull Failed to Establish a System Reasonably Designed to Supervise and Failed to Supervise Private Securities Transactions

NASD Rule 3010(a) required member firms to establish and maintain a system to supervise the activities of each registered representative that is reasonably designed to achieve compliance with applicable securities laws and regulations. NASD Rule 3040(c) required member firms to supervise a registered representative’s authorized private securities transactions for compensation “as if the transaction[s] were executed on behalf of the member” and to record the transactions on their own books and records. A violation of NASD Rules 3010 and 3040 also constituted a violation of FINRA Rule 2010.

Hull was responsible for ensuring the firm had a system that was reasonably designed to supervise private securities transactions and for supervising any of these transactions engaged in by the firm’s registered representatives. The firm did not have a reasonably designed supervisory system. The firm failed to require

² NASD Rule 3010 was replaced by FINRA Rule 3110 effective December 1, 2014. Because the conduct at issue in this AWC took place prior to December 1, 2014, NASD Rule 3010 applies.

³ NASD Rule 3040 was replaced by FINRA Rule 3280 effective September 21, 2015. Because the conduct at issue in this AWC took place prior to September 21, 2015, NASD Rule 3040 applies.

registered representatives to provide Hull with documents and other information related to the private securities transactions he approved so he could supervise the activities and record the transactions on the firm's books and records. As a result, during the relevant period, two registered representatives associated with HLH Securities participated in 21 private securities transactions that Hull approved but failed to supervise and failed to record on the firm's books and records.

By virtue of the foregoing, Hull violated NASD Rules 3010(a) and 3040(c) and FINRA Rule 2010.

2. *Hull Failed to Establish Procedures for the Review of Outside Business Activities and Failed to Conduct the Required Review of Such Activities*

NASD Rule 3010(b)(1) required member firms to establish, maintain and enforce written procedures reasonably designed to achieve compliance with applicable securities laws and regulations. FINRA Rule 3270, which took effect on December 15, 2010, requires each member firm receiving notice of an outside business activity to consider whether the activity would interfere with the registered person's responsibilities or be viewed as part of the firm's business. Rule 3270 further directs each member to evaluate the advisability of imposing specific conditions or limitations on a registered representatives' outside business activity and whether the activity should be treated as an outside securities activity. A violation of NASD Rules 3010 and FINRA Rule 3270 also constituted a violation of FINRA Rule 2010.

Hull was responsible for updating the firm's written supervisory procedures but failed to update them during the relevant period to address the requirements of FINRA Rule 3270. Moreover, between July 2012 and December 2013, ten registered representatives provided Hull with written disclosure of outside business activities. Hull approved of these activities at the time they were disclosed but failed to conduct the review of them required by FINRA Rule 3270 during the relevant period.

By virtue of the foregoing, Hull violated NASD Rule 3010 and FINRA Rules 3270 and 2010.

3. *Hull Failed to Review, Retain and Supervise Emails*

HLH Securities' procedures prohibited registered representatives from using email for business-related communications. Despite that prohibition, Hull used and allowed ten registered representatives to use personal email accounts to conduct firm business during the relevant period. Hull failed to review or retain all business-related emails sent from or received by the registered representatives' personal email accounts, failed to supervise the use of these accounts, and failed to enforce the firm's procedures prohibiting the use of email to conduct firm business. Hull also failed to establish and maintain a system reasonably designed to comply with its email review and retention obligations.

Hull, as the CCO and principal charged with all aspects of supervision for the firm, failed to ensure that HLH Securities complied with three types of regulatory obligations. First, NASD Rule 3010(d)(2) required HLH Securities to review "incoming and outgoing ... electronic correspondence with the public relating to its ... securities business." Second, Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4(b)(4), NASD Rule 3010(d)(3), and FINRA Rule 4511 required HLH Securities to retain emails relating to its securities business. Third, NASD Rule 3010 required HLH Securities to supervise the use of the firm's registered representatives' personal email accounts when used for firm-related business and to establish and maintain a reasonably designed supervisory system for email review and retention.

Hull thus violated NASD Rule 3010(d)(2) and FINRA Rule 2010 by failing to review emails in the firm's registered representatives' personal email accounts concerning the firm's business, and he also violated NASD Rule 3010(d)(3) and FINRA Rules 4511 and 2010 by failing to retain emails relating to the firm's securities business. Moreover, Hull violated NASD Rule 3010 and FINRA Rules 2010 by failing to supervise the use of the firm's registered representatives' personal email accounts, and failed to establish and maintain a reasonably designed supervisory system for email review and retention. Finally, Hull also violated FINRA Rule 2010 by causing the firm to violate Section 17 of the Exchange Act and Exchange Act Rule 17a-4.

B. I also consent to the imposition of the following sanctions:

1. A three-month suspension from association with any FINRA member firm in a principal capacity; and
2. A \$20,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the principal

suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

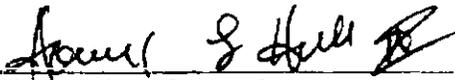
I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

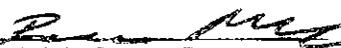
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and**
- C. If accepted:**
- 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;**
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;**
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and**
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.**

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

EM
9/3/17
Date (mm/dd/yyyy)


Howard L. Hull III, Respondent

Reviewed by:


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Accepted by FINRA:

08/08/2017
Date

Signed on behalf of the
Director of ODA, by delegated authority



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