

BEFORE THE NATIONAL ADJUDICATORY COUNCIL
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the Continued Membership
of
Bolton Securities Corporation

with

FINRA

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

SD-2296

Date: March 28, 2022

I. Introduction

On April 8, 2021, Bolton Securities Corporation (the “Firm”) submitted to FINRA a Membership Continuance Application (“MC-400A” or “the Application”). The Application seeks to permit the Firm, a FINRA member subject to a statutory disqualification, to continue its membership with FINRA. A hearing was not held in this matter. Rather, pursuant to FINRA Rule 9523(a), FINRA’s Department of Member Supervision (“Member Supervision”) recommended that the Chairperson of the Statutory Disqualification Committee, acting on behalf of the National Adjudicatory Council, approve the Firm’s continued membership with FINRA pursuant to the terms and conditions set forth below.

For the reasons explained below, we approve the Application.

II. The Statutorily Disqualifying Event

The Firm is subject to a statutory disqualification because of a February 25, 2021 final judgment (the “Final Judgment”) entered by the United States District Court for the District of Massachusetts. The Final Judgment permanently enjoined the Firm from violating Sections 206(2), 206(3), and 206(4) of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rule 206(4)-7 thereunder.¹ Pursuant to the Final Judgment, the

¹ Section 3(a)(39)(F) of the Securities Exchange Act of 1934 (“Exchange Act”), which incorporates by reference Exchange Act Section 15(b)(4)(C), provides that a member firm is subject to statutory disqualification if it is enjoined from, among other things, engaging in any conduct or practice as a broker-dealer or investment adviser, or in connection with the purchase or sale of any security.

Firm was ordered to pay \$449,994, composed of disgorgement of \$190,000, prejudgment interest of \$34,994, and a civil penalty of \$225,000. The Firm was also required to establish a Fair Fund to distribute funds to investors in connection with the Final Judgment. The Firm paid these amounts in full and established a Fair Fund.

The Final Judgment is based on a February 2020 amended complaint filed by the SEC (the “SEC Complaint”). The SEC Complaint alleged that the Firm breached its fiduciary duty to advisory clients by failing to disclose material conflicts of interest regarding 12b-1 mutual fund fees and that it engaged in principal trading with clients through an affiliated broker-dealer, under common control, without proper disclosure and the required consent. Specifically, the SEC Complaint alleged that, from August 2014 through the end of March 2018, the Firm represented to advisory clients that it performed periodic account reviews to ensure consistency with clients’ objectives and suitability needs and that it monitored receipt of selling compensation, but in fact the Firm allowed clients to pay 12b-1 fees when otherwise identical investments without those fees were available. The SEC Complaint further alleged that, from at least November 2014 through March 2019, the Firm engaged in self-dealing when it traded more than \$325 million in fixed income securities through its affiliate without disclosing the relationship to clients. Finally, the SEC Complaint alleged that, from at least August 2014 through the end of March 2018, the Firm failed to adopt or implement written policies or procedures reasonably designed to prevent violations of the Advisers Act.

III. Background Information

A. The Firm

The Firm is based in Bolton, Massachusetts, and has been a FINRA member since 2009. The Firm is also registered as an investment adviser. According to the Firm’s Central Registration Depository (“CRD”[®]) record, it has two branch offices, one of which is an Office of Supervisory Jurisdiction (“OSJ”). CRD shows that the Firm employs 123 investment adviser representatives, five non-registered fingerprinted individuals, two operations professionals, and four registered representatives and principals. The Firm employs one statutorily disqualified individual.²

² Raymond Louis Grenier, Jr. (“Grenier”) is statutorily disqualified because of a February 2002 SEC order, which found that he failed to reasonably supervise representatives with a view towards preventing violations of Section 17(a) of the Securities Act of 1933 and Exchange Act Section 10(b) and Rule 10b-5 thereunder. The SEC censured Grenier, fined him \$15,000, and barred him from associating with any broker-dealer in a supervisory capacity with the right to reapply after 15 months. FINRA first approved Grenier to associate with member firm Bolton Global Capital (an affiliate of the Firm for which Grenier is the majority owner) in a supervisory capacity pursuant to a February 2004 19h-1 notice, and in October 2004 the SEC issued an Order Approving Application for Relief from Statutory Disqualification. FINRA granted Grenier permission to associate with the Firm in a non-registered capacity by 19h-1 notification

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B. Recent Examinations and Regulatory History

In the past two years, the Firm has not been subject to any examination by FINRA that resulted in findings. The Firm's most recent routine examination was closed in June 2020 without any findings.

Other than the Final Judgment, the record does not show any recent regulatory or disciplinary history against the Firm.

IV. The Firm's Proposed Continued Membership with FINRA and Proposed Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding the Final Judgment, which renders the Firm statutorily disqualified. In connection therewith, the Firm has agreed to the following Plan of Heightened Supervision as a condition of its continued membership with FINRA:

1. The Firm shall comply with the Final Judgment, and in particular, Section IV of the Final Judgment;
2. The Firm shall provide FINRA's Statutory Disqualification Group ("SD Group") and FINRA's Department of Risk Monitoring with copies of correspondence between the Firm and SEC staff regarding any request to extend the procedural dates relating to Section IV of the Final Judgment;
3. The Firm shall provide the SD Group with proof of compliance with all sanctions, including a copy of the final accounting and certification that will be provided to the SEC upon completion of the provisions as specified in Section IV.J. of the Final Judgment;
4. The Firm shall annually review and update accordingly its Written Supervisory Procedures ("WSPs") with respect to disclosure of conflicts of interest, disclosure of affiliated entities, and obtaining consent when engaging in principal trading with clients through affiliated entities. The Firm will maintain documentation of its annual review;

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dated December 12, 2013, which was acknowledged by the Commission on October 14, 2014. Grenier is an indirect owner of the Firm through his wife's ownership interest in the Firm, and the record shows that he serves as the Firm's director of business development.

5. The Firm will implement mandatory annual training for all brokers and principals which will include content on disclosure of conflicts of interest, disclosure of affiliated entities, and obtaining consent when engaging in principal trading with clients through affiliated entities. New personnel must complete this training within 120 days of their date of hire. The Firm will maintain documentation of the completion of the trainings;
6. The Firm will segregate all documentation related to the foregoing provisions in a separate file for FINRA staff review during any examination;
7. All requested documents and certifications under this Plan of Heightened Supervision shall be sent directly to the SD Group at SDMailbox@finra.org; and
8. The Firm will submit any proposed changes or other requested information under this Plan of Heightened Supervision to FINRA's SD Group at SDMailbox@FINRA.org.

If the Firm's request to continue its membership in FINRA is approved, Member Supervision represents that FINRA intends to utilize its examination and surveillance processes to assess the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

V. Discussion

Member Supervision recommends approving the Firm's request to continue its membership in FINRA. After carefully reviewing the entire record in this matter, we approve the Application.

In evaluating an application like this, we assess whether the statutorily disqualified firm seeking to continue its membership in FINRA has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. *See* FINRA By-Laws, Art. III, Sec. (3)(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Factors that bear on our assessment include the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, and whether there has been any intervening misconduct.

We recognize that the Final Judgment involved serious violations of securities rules and regulations. We note, however, that the Final Judgment did not expel or suspend the Firm. Nor did the Final Judgment restrict or limit the Firm's securities activities beyond enjoining the Firm from violating the Advisers Act, and the Firm has complied with all terms of the Final Judgment. We further note that the Firm took

remedial measures prior to the SEC Complaint. For example, the Firm began to rebate 12b-1 fees to its customers in October 2017, and amended its Form ADV Part 2 in March 2018 to disclose its 12b-1 fee policies.

Moreover, since the SEC Complaint, the Firm represents that it has updated its WSPs to detail its obligations under Regulation Best Interest (“Reg BI”), which also addressed Firm disclosures and conflicts of interest. Specifically, the Firm’s WSPs identify: (1) documents providing disclosure, including Form CRS, Form ADV, new account forms, its disclosure page, schedule of service fees, wrap brochure, account statements and trade confirmations, and disclosure forms for specific securities products; (2) events that trigger delivery of Form CRS or other disclosure forms; (3) whether the Firm or the investment professional must send Form CRS to a client; and (4) a list of retail clients entitled to such disclosures. The WSPs also describe procedures to audit Reg BI compliance. To address conflicts of interest, the Firm has established a “define, identify, mitigate, and eliminate” committee to meet quarterly, which is in turn overseen by a Reg BI committee, which also meets quarterly, and supervisory controls tests set by the Firm’s chief compliance officer. Finally, the Firm delivered Reg BI training for all registered representatives in June 2021, and branch level training through September of 2021.

We further find that the Firm has a clean regulatory history, has not engaged in similar misconduct since the Final Judgment, and has consented to a supervision plan that will help to ensure that such misconduct does not recur. At this time, we are satisfied, based in part upon the Firm’s representations, Member Supervision’s representations, and the record currently before us, that the Firm’s continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, we approve the Firm’s Application to continue its membership in FINRA as set forth herein.³ In conformity with the provisions of Exchange Act Rule 19h-1, the approval of the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the SEC, unless otherwise notified by the SEC.

On Behalf of the National Adjudicatory Council,

Jennifer Mitchell Piorko
Vice President and Deputy Corporate Secretary

³ FINRA certifies that the Firm meets all qualification requirements and represents that it is registered with the Municipal Securities Rulemaking Board.