

BEFORE THE NATIONAL ADJUDICATORY COUNCIL
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of

The Association of

Todd Wyche

as a

General Securities Representative, Securities
Trader, and an Investment Banking
Representative

with

San Blas Securities, LLC

Notice Pursuant to
Rule 19h-1

Securities Exchange Act
of 1934

SD-2279

October 25, 2021

I. Introduction

On September 11, 2020, San Blas Securities, LLC (“San Blas” or the “Firm”), filed with FINRA a Membership Continuance Application (the “Application”). The Application seeks to permit Todd Wyche, a person subject to statutory disqualification, to associate with the Firm as a general securities representative, a securities trader, and an investment banking representative. A hearing was not held in this matter. Rather, pursuant to FINRA Rule 9523(a), FINRA’s Department of Member Supervision (“Member Supervision”) recommends that the Chairperson of the Statutory Disqualification Committee, acting on behalf of the National Adjudicatory Council (the “NAC”), approve Wyche’s association with the Firm pursuant to the terms and conditions set forth below.

For the reasons explained below, we approve the Application to permit Wyche to associate with the Firm as a general securities representative, securities trader, and investment banking representative, as described herein.

II. The Statutorily Disqualifying Event

Wyche is statutorily disqualified pursuant to a NAC decision dated January 8, 2019. The NAC found that Wyche willfully failed to timely amend his Uniform Application for Securities Industry Registration or Transfer (“Form U4”) to disclose a January 2014 federal tax lien in the amount of \$230,265 filed by the IRS.¹ The NAC suspended Wyche for four months, fined him \$10,000, and ordered that he pay \$3,078 in costs. Wyche served his suspension and is paying the fine and costs pursuant to an installment plan (under which he is current). The IRS removed the tax lien filed against Wyche in April 2017.

III. Background Information

A. Wyche

Wyche registered as a general securities representative and options principal in January 1992, as a general securities principal in April 1995, as a financial and operations principal in May 1996, and as an equity trader in February 2001. He also passed the uniform securities agent examination in January 1992 and qualified as an investment banking representative via waiver in January 2012. Prior to associating with the Firm, Wyche was previously associated with six other member firms.

¹ FINRA’s By-Laws provide that a person is subject to “disqualification,” and thus must seek and obtain FINRA’s approval prior to associating with a member firm, if he is disqualified under Section 3(a)(39) of the Securities Exchange Act of 1934 (“Exchange Act”). *See* FINRA By-Laws, Art. III. Exchange Act Section 3(a)(39)(F) provides that a person is subject to statutory disqualification if he has willfully made a false or misleading statement of material fact, or has omitted a material fact required to be disclosed, in any application or report filed with a self-regulatory organization.

Question 14.M of Form U4 asks, “Do you have any unsatisfied judgments or liens against you?” Article V, Section 2(c) of FINRA’s By-Laws requires that an associated person keep his Form U4 current at all times and update information on the Form U4 within 30 days. Further, FINRA Rule 1122 states that, “[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.”

FINRA's Central Registration Depository ("CRD"®) shows that Wyche has been a director at Northumberland Ventures, Inc., since February 2018 and a member of Northumberland Technologies, LLC, since February 2020. These entities are not investment-related. Rather, they are computer system integrators and focus on blockchain verification services. Wyche devotes approximately 20 hours per month to these activities.²

CRD also shows that Wyche filed a bankruptcy petition in February 2020, for which he received a discharge of his debts in May 2020. Other than the disqualifying NAC decision and Wyche's bankruptcy petition, the record does not show any disciplinary or regulatory proceedings, complaints, or arbitrations against Wyche.³

B. The Firm

The Firm has been a FINRA member since June 2018 and is based in Atlanta, Georgia. It has 10 branch offices, three of which are Offices of Supervisory Jurisdiction ("OSJ"). The Firm employs 47 registered individuals, 19 of whom are registered principals, and four non-registered fingerprint individuals. Two other individuals that are subject to statutory disqualification are currently associated with the Firm.⁴

² Wyche also serves as the sole member of Brinson Patrick Consulting, LLC. The Firm represents that this entity, through which Wyche assists his wife's business with website development, is largely inactive.

³ In addition to the federal tax lien underlying the disqualifying NAC decision, CRD shows three other liens filed against Wyche. These liens were discharged in Wyche's bankruptcy case.

⁴ Danielle Hughes is subject to statutory disqualification as a result of an August 2011 SEC order finding that she failed to reasonably supervise an individual with a view to preventing violations of the Securities Act of 1933. The SEC suspended Hughes for four months in any supervisory capacity and fined her \$25,000. Hughes served her suspension and paid the fine in full. The Firm was not required to initiate a FINRA eligibility proceeding when Hughes joined the Firm because the sanctions imposed by the SEC are no longer in effect based upon her serving the suspension and paying the fine in full. *See FINRA Regulatory Notice 09-19*, 2009 FINRA LEXIS 68, at *11-12 (Apr. 2009) (providing that for statutory disqualifications involving an order under which the sanctions are no longer in effect, a Membership Continuance Application is not required).

In addition, in January 2020, the Firm filed a Membership Continuance Application seeking to associate with Avery Byrd ("Byrd") notwithstanding his statutory disqualification. Byrd is disqualified because of a May 2017 FINRA Letter of Acceptance, Waiver and Consent, which included a finding that Byrd willfully failed to disclose on his Form U4 a consent judgment. Although Byrd is associated with the Firm, he is not currently working at the Firm while his eligibility proceeding is pending. On October 21, 2021, FINRA filed with the SEC a Notice Pursuant to 19h-1 approving Byrd's association.

1. Routine Examinations

In the past two years, FINRA has conducted two routine examinations of the Firm. The Firm's most recent routine examination concluded in January 2021. No exceptions were noted in connection with this examination.

In connection with the Firm's 2019 routine examination, FINRA noted one exception, for which it elected to take no further action. Specifically, FINRA noted that the Firm failed to maintain written supervisory procedures ("WSPs") that adequately addressed internal controls and risk management systems for proprietary trading. The Firm responded in writing that it amended its WSPs to address this deficiency.

2. Regulatory History

The record shows no regulatory or disciplinary history against the Firm.

IV. Wyche's Proposed Business Activities and Supervision

The Firm proposes that Wyche will work from his residence located in Corvallis, Montana, as a general securities representative, a securities trader, and as an investment banking representative.⁵ Wyche will be part of the Firm's efforts to originate corporate financing transactions, and his interactions will be with chief executive officers, chief financial officers, board members, and advisers of publicly traded companies. Part of Wyche's business will consist of at-the-market ("ATM") offerings. Wyche will not be servicing retail accounts. His compensation will be a percentage of revenues he helps generate for the Firm.

The Firm proposes that Daniel Padilla, Jr. ("Padilla"), will serve as Wyche's primary supervisor. Padilla works from an OSJ located in Tampa, Florida. Padilla currently serves as the Firm's chief executive officer, chief compliance officer, and head of equity trading. Padilla currently supervises five other individuals. He first registered as a general securities representative in April 2002, an equity trader in November 2003, and a general securities principal in May 2013. Padilla also passed the assistant representative-order processing qualification examination in March 2001 and the uniform securities agent examination in February 2003.

Padilla has been registered with the Firm since August 2019. He was previously associated with five firms. The record does not show any disciplinary or regulatory proceedings, complaints, or arbitrations against Padilla.

If Padilla is unavailable, the Firm designated Timothy Chin-Chung Yang ("Yang") as Wyche's alternate supervisor. Yang works from his residence, an OSJ located in San Jose, California. Yang devotes all of his time to supervisory responsibilities and has no other duties or

⁵ Pursuant to the terms of the heightened supervisory plan, the Firm will designate Wyche's residence as a non-registered office location.

responsibilities at the Firm. The Firm states that Yang is responsible for suitability reviews, audits, and new account operations at the Firm. Yang also serves as a compliance officer for two of the Firm's affiliates (SB Advisory and ES Advisory). Yang currently supervises 17 individuals who are dually registered with the Firm and its registered investment adviser affiliate (SB Advisory), and the Firm represents that Yang has more than a decade of supervisory experience (including remotely supervising an individual on heightened supervision for more than four years).⁶

Yang first registered as an investment company and variable contracts representative in March 1986, a general securities representative in July 1998, a general securities principal in September 2006, and a municipal securities principal in December 2008. Yang also passed the uniform investment adviser examination in September 1997 and the uniform securities agent examination in August 1998. Yang has been with the Firm since August 2020. Yang was previously associated with eight member firms.

The record shows no disciplinary or regulatory proceedings, complaints, or arbitrations against Yang.

V. Member Supervision's Recommendation

Member Supervision recommends approving the Firm's request for Wyche to associate with the Firm as a general securities representative, securities trader, and investment banking representative, subject to the terms and conditions of heightened supervision described below.

VI. Discussion

We have carefully considered the entire record in this matter. Based on this record, and pursuant to the Commission's controlling decisions in this area, we approve the Firm's Application to employ Wyche in the capacities requested, subject to the supervisory terms and conditions set forth below.

A. The Legal Standards

We acknowledge that Wyche, as a registered individual, was responsible for knowing the rules of the securities industry and for timely updating his Form U4. *See, e.g., Robert E. Kauffman*, 51 S.E.C. 838, 840 (1993) ("Every person submitting registration documents [to FINRA] has the obligation to ensure that the information printed therein is true and accurate."), *aff'd*, 40 F.3d 1240 (3d Cir. 1994) (table). The SEC has emphasized that Form U4 "is critical to the effectiveness of the screening process used to determine who may enter (and remain in) the industry. It ultimately serves as a means of protecting the investing public." *See Robert D. Tucker*, Exchange Act Release No. 68210, 2012 SEC LEXIS 3496, at *25-26 (Nov. 9, 2012). A registered representative's financial problems "raise concerns about whether [he] could

⁶ The Firm has also proposed that Yang serve as Byrd's primary supervisor in connection with that Membership Continuance Application.

responsibly manage his own financial affairs, and ultimately cast doubt on his ability to provide trustworthy financial advice and services to investors relying on him to act on their behalf as a securities industry professional.” *Id.* at *32.

We also recognize, however, that FINRA weighed the gravity of Wyche’s failure to disclose the tax lien when the NAC issued its decision in January 2019. After considering Wyche’s entire history in the securities industry, FINRA concluded that a four-month suspension and \$10,000 fine were appropriate sanctions for his disqualifying misconduct. Wyche served this suspension and is current on a payment plan in connection with the fine. In such circumstances, the Commission has instructed FINRA to evaluate a statutory disqualification application pursuant to the standards enunciated in the Commission’s decisions in *Paul Edward Van Dusen*, 47 S.E.C. 668 (1981), and *Arthur H. Ross*, 50 S.E.C. 1082 (1992). See *May Capital Group, LLC* (hereinafter “*Rokeach*”), Exchange Act Release No. 53796, 2006 SEC LEXIS 1068, at *21 (May 12, 2006) (holding that FINRA must apply *Van Dusen* standards to the membership continuance applications of statutorily disqualified individuals whose disqualifications resulted from FINRA enforcement action).

Van Dusen and *Rokeach* provide that in situations where an individual’s misconduct already has been addressed by the Commission or FINRA, and sanctions have been imposed for such misconduct, FINRA should not consider the individual’s underlying misconduct when it evaluates a statutory disqualification application. The Commission stated that when the period of time specified in the sanction has passed, in the absence of “new information reflecting adversely on [the applicant’s] ability to function in his proposed employment in a manner consonant with the public interest,” it is inconsistent with the remedial purposes of the Exchange Act and unfair to deny an application for re-entry. *Van Dusen*, 47 S.E.C. at 671.

The Commission also noted in *Van Dusen*, however, that an applicant’s re-entry is not “to be granted automatically” after the expiration of a given time period. *Id.* Instead, the Commission instructed FINRA to consider other factors, such as: (1) other misconduct in which the applicant may have engaged; (2) the nature and disciplinary history of the prospective employer; and (3) the supervision to be accorded the applicant. *Id.*

B. Application of the *Van Dusen* Standards

After applying the *Van Dusen* standards to this matter, we have determined to approve the Firm’s Application to employ Wyche for the following reasons.

First, the record does not show any complaints, regulatory actions, or criminal history for Wyche since the NAC’s January 2019 disqualifying decision. Given the expiration of time for the suspension imposed upon Wyche, and the teachings of *Van Dusen*, he is now permitted to seek re-entry to the securities industry.

Second, the Firm does not have any formal disciplinary history. The Firm also represented that it addressed the single deficiency noted in its 2019 routine examination. Further, the Firm has in place well-qualified individuals with unblemished histories to supervise Wyche. Padilla, Wyche’s primary proposed supervisor, is well qualified to supervise a

statutorily disqualified individual such as Wyche and has substantial industry experience. We agree with Member Supervision that Padilla's duties as, among other things, the firm's chief executive officer and chief compliance officer, should not prevent him from stringently supervising Wyche's securities activities pursuant to the heightened supervisory plan. Similarly, Yang is well qualified to supervise Wyche, and has experience remotely supervising an individual on heightened supervision.⁷ We find nothing in the record to suggest that the Firm will be unable to provide the stringent supervision necessary for a statutorily disqualified individual such as Wyche.

Third, based on the record before us, we find that the Firm's proposed plan of supervision is sufficiently stringent and comprehensive.⁸ The plan contains provisions to help ensure that misconduct similar to the misconduct underlying the NAC's 2019 decision does not reoccur.

We are satisfied that the following heightened supervisory procedures will enable the Firm to reasonably monitor Wyche's activities on a regular basis:

1. The written supervisory procedures for San Blas will be amended to state that Padilla will serve as the primary supervisor for Wyche. If at any time

⁷ The Firm represents that there were no issues with Yang's supervision of the individual on heightened supervision, and we agree with Member Supervision that Yang's other supervisory duties at the Firm (including his proposed role as Byrd's primary supervisor) should not prevent him from stringently supervising Wyche's securities activities pursuant to the heightened supervisory plan.

⁸ We also find that under the circumstances, the fact that Wyche will be supervised remotely does not serve as a basis to deny the Application. *See The Cont'd Ass'n of Allan Wolfe*, SD-2157, slip op. at 21 (FINRA NAC Dec. 20, 2018) (stating that although in-person supervision is preferred, it is not always required and approving application where disqualified individual engaged in limited business and had a lengthy career that was mostly without incident); *The Ass'n of X*, SD10003, slip op. at 8 (FINRA NAC 2010), http://www.finra.org/sites/default/files/NACDecision/p125898_0_0.pdf (redacted decision) ("While we agree that on-site supervision is the ideal standard for most statutorily disqualified individuals, we do not find that it is always necessary."). As stated herein, the Firm represents that Wyche's activities will be limited to originating corporate financing transactions for the Firm and that Wyche will only be dealing with sophisticated parties and not retail investors. Further, the heightened supervisory plan contains procedures to ensure that he is stringently supervised, including telephonic or video conference meetings with Padilla each day that Wyche conducts business (and at least a weekly telephonic or video conference if Wyche does not conduct any business), and four yearly in-person meetings. Finally, Member Supervision represents that the Firm has operated under remote conditions throughout the COVID-19 pandemic and FINRA staff have not identified any issues surrounding the Firm's remote supervision of its employees. We conclude that these factors, along with Wyche's lack of regulatory and disciplinary history during his nearly 30-year career in the securities industry and his supervisors' backgrounds, support offsite supervision of Wyche.

Padilla is not available to perform these functions, Yang, who has been designated as Wyche's alternate supervisor, shall perform Padilla's responsibilities for Byrd.

2. Wyche will work from his residence located in Corvallis, MT. The Firm shall designate Wyche's residence as a non-registered office location.
3. Wyche will not act in a supervisory or principal capacity.⁹
4. Wyche will not be permitted to service retail accounts or take on retail customers.
5. Wyche will not be permitted to maintain discretionary accounts for customers.
6. Padilla and Wyche will meet via teleconference or video conference each day that Wyche conducts business. Padilla and Wyche will meet via teleconference or video conference at least once per week if Wyche does not conduct any business activities. Discussions will include, but not be limited to, Wyche's business activities, Wyche's communications with customers, and any issues regarding the plan of supervision. Padilla will maintain a record of these meetings, which will include the purpose of the meeting and a description of the matters discussed. Records of such meetings will be maintained in a segregated file for ease of review during any FINRA examination.
7. Padilla and Wyche will meet in person at least once per quarter at a Firm OSJ location. Padilla and Wyche's discussions will include, but not be limited to, a review the provisions of the plan and Wyche's business activities and customers. Padilla will maintain a record of these meetings, which will include a description of the matters discussed. Records of such meetings will be maintained in a segregated file for ease of review during any FINRA examination.
8. Wyche shall input all meetings and telephone calls with customers on an electronic calendar that is accessible by Padilla. Padilla will review the calendar daily. Records of such reviews will be kept segregated for ease of review during any FINRA examination.

⁹ We have amended this provision to clarify that Wyche shall not act in a supervisory or principal capacity at the Firm.

9. All of Wyche's outgoing emails will be blind copied to Padilla and reviewed by Padilla within one business day. Padilla will also review all of Wyche's incoming emails within one business day. Padilla will review any other written correspondence directed to, authorized by, or sent by Wyche within one business day of receipt or transmission of said correspondence. Records of such reviews will be kept segregated for ease of review during any FINRA examination.
10. Wyche will only be permitted to use an email account that is held at the Firm for the purposes of communications with clients, with all emails being filtered through the Firm's email system. If Wyche receives a business-related email message to an account that is held outside the Firm, he will immediately deliver that email to the Firm's email account. Wyche will also inform Padilla of all outside email accounts he maintains and will provide access to those accounts to the Firm upon request.
11. Wyche is only allowed to communicate with clients through electronic devices that can be monitored by the Firm. The Firm will capture records of all of Wyche's incoming and outgoing phone calls and Padilla shall conduct a daily review of the records. Records of such reviews will be kept segregated for ease of review during any FINRA examination.
12. Prior to Wyche's dissemination of any marketing materials to current or potential customers, the materials shall be reviewed and approved by Padilla. Records of such reviews and approvals will be kept segregated for ease of review during any FINRA examination.
13. Prior to the opening of any new account by Wyche, it shall be reviewed and approved by Padilla. Account paperwork will be documented, as approved, with a date and signature. At the time of the new account opening, Padilla will reach out to each client and thereafter on a quarterly basis. Records of such reviews, approvals, and customer contract will be kept segregated for ease of review during any FINRA examination.
14. All of Wyche's customer transactions shall be approved prior to execution by Padilla.¹⁰ The Firm will maintain a separate blotter of Wyche's customer transactions and deals evidencing Padilla's reviews. Records of such reviews will be kept segregated for ease of review during any FINRA examination.

¹⁰ We have amended this provision to clarify that Wyche's customer transactions shall be pre-approved.

15. On a quarterly basis, Padilla will utilize LexisNexis, or a comparable legal search engine, to conduct a review of Wyche's liens, judgments, and other reportable matters. Padilla will ensure that Wyche has complied with his regulatory disclosure obligations. Records of all search results and reviews will be kept segregated for ease of review during any FINRA examination.
16. The Firm will conduct an annual credit check for Wyche. Padilla will subsequently review Wyche's regulatory disclosures to ensure that he has complied with his regulatory disclosure obligations. Records of all reports and reviews will be kept segregated for ease of review during any FINRA examination.
17. All complaints pertaining to Wyche, whether oral or written, will be immediately referred to Padilla for review. Padilla will prepare a memorandum to the file with full details as to the review, investigation and disposition of the matter. Documents pertaining to these complaints will be kept segregated for ease of review during any FINRA examination.
18. The Firm will contact FINRA's Risk Monitoring and FINRA's Statutory Disqualification Group if Wyche's primary or alternate supervisors' responsibilities at the Firm change in any material respect other than as represented to FINRA to evaluate San Blas's application. Material changes include, but are not limited to, any new or additional supervisory responsibilities.
19. Quarterly (as of March 31st, June 30th, September 30th, and December 31st), Wyche shall certify that he has reviewed his Form U4, and that all his answers are complete, accurate, and were made in a timely manner. Such certifications will be kept segregated for the ease of review during any FINRA examination.
20. Quarterly (as of March 31st, June 30th, September 30th, and December 31st), Padilla will certify that Wyche is in compliance with all of the above conditions of heightened supervision. Such certifications will be kept segregated for the ease of review during any FINRA examination.
21. Semi-annually (as of June 30th and December 31st), Wyche shall certify that he has read the Firm's Compliance Manual, WSPs, this plan of heightened supervision, and any other documents containing Firm policies related to his obligations to his clients and the Firm, that he understands those policies, and that he has acted, and is acting, in complete compliance with the plan of heightened supervision. Such certifications will be kept segregated for the ease of review during any FINRA examination.

22. For the duration of Wyche's statutory disqualification, the Firm must obtain prior approval from Member Supervision if it wishes to change Wyche's primary or alternate supervisors or if the Firm wishes to change any provisions of this plan. The Firm will submit any proposed changes or other requested information under this Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

FINRA certifies that: (1) Wyche meets all applicable requirements for the proposed employment; (2) the Firm is a member of the Municipal Securities Rulemaking Board; (3) the Firm has represented that Wyche is not related to Padilla or Yang by blood or marriage; and (4) two other statutorily disqualified individuals are currently associated with the Firm.

VII. Conclusion

Accordingly, we approve the Firm's Application to employ Wyche as a general securities representative, securities trader, and investment banking representative. In conformity with the provisions of Exchange Act Rule 19h-1, the association of Wyche with the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

On Behalf of the National Adjudicatory Council,

Jennifer Piorko Mitchell

Jennifer Mitchell Piorko
Vice President and Deputy Corporate Secretary