

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

BROKERBANK SECURITIES, INC.
CRD No. 130116,

and

PHILIP PAUL WRIGHT
(CRD No. 2453688),

Respondents.

Disciplinary Proceeding
No. 2022074278301

Hearing Officer–BEK

DEFAULT DECISION

July 24, 2023

Respondent BrokerBank Securities, Inc. is expelled from FINRA membership and Respondent Philip Paul Wright is barred from associating with any FINRA member firm in any capacity for (1) permitting an unregistered person to act in a registered capacity; (2) permitting a disqualified person to associate with BrokerBank; and (3) sharing commissions with an unregistered person. Respondents violated Article III, Section 3(b) of FINRA’s By-Laws, NASD Rule 1031, and FINRA Rules 1210, 2010, 2040, and 8311.

Respondent Wright is also barred from associating with any FINRA member firm in any capacity for failing to provide information and documents to FINRA staff, in violation of FINRA Rules 8210 and 2010.

Appearances

For the Complainant: Dale A. Glanzman, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondents: No appearance

DECISION

I. Introduction

The Department of Enforcement properly served Respondents BrokerBank Securities, Inc. (“BrokerBank”) and Philip Paul Wright (“Wright”) with the First and Second Notices of Complaint and the Complaint. The Complaint alleges that both Respondents violated (1) NASD Rule 1031 and FINRA Rules 1210 and 2010 by permitting an unregistered person (“Individual A”) to act in a registered capacity; (2) Article III, Section 3(b) of FINRA’s By-Laws and FINRA Rules 8311 and 2010 by permitting a disqualified person (Individual A) to associate with BrokerBank; and (3) FINRA Rules 2040 and 2010 by sharing commissions with Individual A. The Complaint also alleges that Wright violated FINRA Rules 8210 and 2010 by failing to provide information and documents requested by FINRA staff.

Neither Respondent filed an Answer or otherwise responded to the Complaint. On June 16, 2023, Enforcement filed a motion for entry of default decision and request for imposition of sanctions (“Default Motion”). The Default Motion is supported by the declaration of Enforcement counsel Dale A. Glanzman, Esq. (“Glanzman Decl.”) and 16 supporting exhibits (CX-1 through CX-16).

For the reasons stated below, I find Respondents in default, deem the allegations in the Complaint admitted, and grant Enforcement’s Default Motion.

II. Findings of Fact and Conclusions of Law

A. Respondents’ Backgrounds

BrokerBank became a FINRA member in May 2004. Between November 10, 2017, and October 28, 2019, BrokerBank employed five registered individuals and had two branch offices, with its headquarters in Minnetonka, Minnesota. On March 30, 2021, FINRA cancelled BrokerBank’s membership after determining that the firm was subject to a statutory disqualification arising from a Consent Order with the state of Michigan.¹

Wright became registered with FINRA in November 1995. In May 2004, he associated with BrokerBank and registered with FINRA as a General Securities Representative, General Securities Principal, and Financial Operations Principal. Between November 10, 2017, and October 28, 2019, Wright was BrokerBank’s majority owner, Chief Executive Officer (“CEO”), Chief Compliance Officer, and Financial and Operations Principal. He hired and fired all employees of BrokerBank and directed all payments on behalf of the firm, including commissions. Wright’s registrations with FINRA terminated on March 30, 2021, when FINRA cancelled BrokerBank’s registration.²

¹ Complaint (“Compl.”) ¶¶ 4-5; CX-2, at 2-3.

² Compl. ¶¶ 7, 9-10; CX-3, at 2.

B. FINRA’s Jurisdiction

BrokerBank remains subject to FINRA’s jurisdiction pursuant to Article IV, Section 6 of FINRA’s By-Laws because (1) the Complaint was filed within two years after March 30, 2021, which was the effective date of the cancellation of the firm’s membership; and (2) the Complaint charges the firm with misconduct committed while the firm was a member.

Although Wright is no longer registered or associated with a FINRA member firm, he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4(a) of FINRA’s By-Laws because (1) the Complaint was filed within two years after March 30, 2021, which was the effective date of termination of Wright’s registration with BrokerBank; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member, and with failing to respond to FINRA requests for information and documents during the two-year period after the date on which he ceased to be registered or associated with a FINRA member.

C. Origin of the Investigation

In March 2019, FINRA staff began an examination of Wright because of his disciplinary history. During this examination, FINRA staff discovered that Wright had allowed Individual A, an unregistered person, to associate with BrokerBank. FINRA staff subsequently opened additional investigations into the trading activities of Individual A, ultimately leading to this disciplinary proceeding.³

D. Respondents’ Default

Enforcement served Respondents with the First Notice of Complaint and the Complaint on March 20, 2023, and a Second Notice of Complaint and the Complaint on April 20, 2023. In each case, Enforcement served (1) BrokerBank by certified and first-class mail at its Central Registration Depository (“CRD”) main and mail addresses, and (2) Wright by certified and first-class mail at his last known address as reflected in CRD. Enforcement also sent courtesy copies of the First and Second Notices of Complaint and the Complaint to two email addresses that had been used by Wright in communicating with FINRA.⁴

³ Glanzman Decl. ¶¶ 5-9.

⁴ Glanzman Decl. ¶¶ 16-25; CX-2, at 1; CX-3, at 1; CX-4, at 1; CX-8, at 1. All the certified mailings came back to FINRA as undeliverable with no forwarding address, as did the first-class mailing of the Second Notice of Complaint and Complaint to BrokerBank’s CRD main address. Glanzman Decl. ¶¶ 19, 24; CX-5; CX-6; CX-7; CX-9; CX-10; CX-11; CX-12. However, none of the first-class mailings to BrokerBank’s mail address or Wright’s CRD address were returned, and the first-class mailing of the First Notice of Complaint and Complaint to BrokerBank’s CRD main address was not returned. Glanzman Decl. ¶¶ 19, 24. Enforcement had no actual knowledge that the CRD addresses were out of date. Glanzman Decl. ¶¶ 17, 22. Pursuant to FINRA Rule 9134, service was complete upon the delivery of the Complaint by first-class certified mail at Respondents’ CRD addresses. *See also Dep’t of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5-6 & n.1 (NAC Dec. 9, 2003)

Pursuant to FINRA Rule 9215, Respondents were required to file an Answer or otherwise respond to the Second Notice of Complaint by May 8, 2023.⁵ They did not do so. I thus find that Respondents have defaulted. Pursuant to FINRA Rules 9215(f) and 9269(a)(2), I grant the Default Motion and deem the allegations in the Complaint admitted.⁶

E. Respondents Permitted an Unregistered Person to Act in a Registered Capacity

The first cause of action in the Complaint alleges that both Respondents permitted an unregistered person to act in a registered capacity in violation of NASD Rule 1031 (for conduct before October 1, 2018) and FINRA Rules 1210 (for conduct on or after October 1, 2018) and 2010.

FINRA Rule 1210, and its predecessor NASD Rule 1031, require that any person engaged in the securities business of a member be registered with FINRA in each category of registration appropriate with his or her functions and responsibilities. FINRA Rule 2010 requires a FINRA member firm and its associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.⁷ Violations of NASD Rule 1031 and FINRA Rule 1210 are also violations of FINRA Rule 2010.⁸

Individual A became registered with FINRA as a General Securities Representative in 1991 and was associated with multiple FINRA members until November 9, 2017, when his employment and registration were terminated.⁹ Shortly thereafter, BrokerBank, acting through Wright, contracted with Individual A to introduce his former customers to BrokerBank. In exchange, BrokerBank, acting through Wright, agreed to pay Individual A 90% of all commissions generated from those customers’ transactions for a period of two years, and 30% of

(citing NASD Rule 9134(b)(1), the predecessor to FINRA Rule 9134(b)(1), and finding respondent received constructive notice when the Complaint was mailed to respondent’s CRD address).

⁵ Glanzman Decl. ¶ 25; CX-8, at 1.

⁶ Respondents are notified that each may move to set aside my default finding pursuant to FINRA Rule 9269(c) upon a showing of good cause.

⁷ FINRA Rule 2010 explicitly applies only to members, but FINRA Rule 0140(a) imposes the same obligation on persons associated with a member firm.

⁸ *Dep’t of Enforcement v. Dakota Sec. Int’l, Inc.*, No. 2016047565702, 2019 FINRA Discip. LEXIS 11, at *27 (NAC Mar. 18, 2019) (a violation of NASD Rule 1031 (now FINRA Rule 1210) is a violation of FINRA Rule 2010), *aff’d in part and remanded on other grounds*, Exchange Act Release No. 90737, 2020 SEC LEXIS 5226 (Dec. 21, 2020), *sanctions modified*, No. 2016047565702r, 2022 FINRA Discip. LEXIS 2 (NAC Mar. 16, 2022), *appeal docketed*, No. 3-20811 (SEC Apr. 4, 2022).

⁹ Compl. ¶¶ 11, 13.

all such commissions for two years after that.¹⁰ Because Individual A had a prior disciplinary history, Wright determined that BrokerBank would not sponsor his registration with FINRA.¹¹

Between November 10, 2017, and October 28, 2019, Individual A introduced nine customers to BrokerBank, who made 14 separate securities purchases totaling more than \$1.8 million. Wright identified himself as the registered representative for the accounts of these nine customers.¹² Other than approving the accounts and purchases, Wright had no role in the completion of subscription agreements or other documents required to open the customers' accounts or purchase securities in their accounts. Rather, Wright sent Individual A the documents required to open accounts with BrokerBank and purchase securities. Individual A communicated with the nine customers and coordinated execution of the documents, and thereafter returned those documents to Wright.¹³

Because BrokerBank and Wright permitted Individual A to engage in securities business while unregistered, I find that they each violated NASD Rule 1031 (for conduct before October 1, 2018) and FINRA Rules 1210 (for conduct on or after October 1, 2018) and 2010.

F. Respondents Permitted a Disqualified Person to Associate with a Firm

The second cause of action in the Complaint alleges that both Respondents permitted a disqualified person to associate with a FINRA member firm in violation of Article III, Section 3(b) of FINRA's By-Laws and FINRA Rules 8311 and 2010.

Article III, Section 3(b) of FINRA's By-Laws provides that no person shall become associated or continue to be associated with a FINRA member if the person becomes subject to disqualification. Article III, Section 4 of FINRA's By-Laws provides that a person is subject to a "disqualification" if such person is subject to a "statutory disqualification" as defined in Section 3(a)(39) of the Securities Exchange Act of 1934. Section 3(a)(39) provides that a person is subject to a statutory disqualification if, among other reasons, the person has been suspended from associating with a member of a self-regulatory organization.

FINRA Rule 8311 provides that a FINRA member shall not allow a person subject to a suspension to be associated with it "in any capacity that is inconsistent with the sanction imposed or disqualified status, including a clerical or ministerial capacity." A violation of Article III, Section 3(b) of FINRA's By-Laws or FINRA Rule 8311 is also a violation of FINRA Rule 2010.¹⁴

¹⁰ Compl. ¶¶ 15, 17-18.

¹¹ Compl. ¶ 16; CX-13, at 3-5.

¹² Compl. ¶¶ 19-20, 22.

¹³ Compl. ¶¶ 20-21.

¹⁴ *Dakota Sec. Int'l, Inc.*, 2019 FINRA Discip. LEXIS 11, at *17-27.

On July 26, 2019, while engaged by BrokerBank, Individual A consented to findings in a Letter of Acceptance, Waiver, and Consent (“AWC”) that he exercised unauthorized discretion in multiple customer accounts and falsified firm records while with his former employer. FINRA suspended him from associating with a FINRA member from August 5, 2019, to November 4, 2020. Pursuant to Section 3(a)(39)(A) of the Securities and Exchange Act of 1934, he also was statutorily disqualified from conducting any securities business by virtue of the suspension. BrokerBank and Wright were aware of regulatory actions involving Individual A, yet BrokerBank and Wright did not submit a Form MC-400 application¹⁵ and they permitted Individual A to improperly associate with BrokerBank and engage in securities business until his termination in October 2019.¹⁶

Accordingly, I find that Respondents each violated Article III, Section 3(b) of FINRA’s By-Laws and FINRA Rules 8311 and 2010.

G. Respondents Shared Commissions with an Unregistered Person

The third cause of action in the Complaint alleges that both Respondents shared commissions with an unregistered person in violation of FINRA Rules 2040 and 2010. Rule 2040(a)(1) prohibits a member or associated person from sharing commissions with an unregistered person. A violation of Rule 2040 is a violation of Rule 2010.¹⁷

Between November 10, 2017, and October 28, 2019, BrokerBank, acting through Wright, paid \$101,598 to Individual A in compensation derived from commissions generated by the nine customers’ purchases of securities.¹⁸ Individual A was not registered with FINRA during this period. Moreover, of Individual A’s \$101,598 compensation, BrokerBank paid \$19,125 while he was statutorily disqualified from engaging in securities business and suspended from associating with a FINRA member.¹⁹ I thus find that Respondents each violated FINRA Rules 2040 and 2010.

H. Respondent Wright Failed to Respond to Requests for Information

The fourth cause of action in the Complaint alleges that Wright failed to provide information and documents in response to FINRA’s Rule 8210 requests. Rule 8210 requires

¹⁵ Form MC-400 is a “Membership Continuance Application” used to request approval for a disqualified person to continue to be associated with a firm. *See* FINRA Rule 9521(b) and FINRA Form MC-400/Revised 5-21, <http://www.finra.org/sites/default/files/form-mc-400.pdf>.

¹⁶ Compl. ¶¶ 23-25; Glanzman Decl. ¶ 35.

¹⁷ *Dep’t of Enforcement v. Makkai*, No. 2018058924502, 2023 FINRA Discip. LEXIS 2, at *20, 23–25 (NAC Jan. 6, 2023).

¹⁸ Compl. ¶ 26. Pursuant to the contract between Individual A and BrokerBank, BrokerBank, through Wright, was required to pay Individual A 90% of the commissions earned during the first two years of the contract term. Compl. ¶ 27.

¹⁹ Compl. ¶¶ 27, 62.

anyone subject to FINRA’s jurisdiction to provide the information and testimony requested by FINRA staff and “is at the heart of the self-regulatory system for the securities industry.”²⁰ Because FINRA lacks subpoena power, it relies on Rule 8210 to obtain information necessary to carry out “its investigations and fulfill its regulatory mandate.”²¹ The failure to fully and timely respond to information requests violates FINRA Rules 8210 and 2010.²²

On April 6, May 9, and June 3, 2022, FINRA staff sent Wright written 8210 requests for information and documents related to 1) the quantity of securities and principal amount invested in the securities by BrokerBank customers; 2) the suitability of the securities purchased by BrokerBank’s customers, including Individual A’s customers; 3) compensation paid by BrokerBank, acting through Wright, to any individuals in connection with the sale of the securities; 4) Wright’s supervision of the suitability of investments in securities by BrokerBank’s customers; 5) whether BrokerBank, through Wright, conducted reasonable due diligence into securities sold prior to selling them to BrokerBank’s customers; and 6) whether BrokerBank’s written supervisory procedures were reasonably designed to comply with its obligations under FINRA rules and the federal securities laws.²³ FINRA staff sent each 8210 request by certified and first-class mail to Wright at his CRD address.²⁴ Wright signed for delivery of the April 6 request, while someone other than Wright signed for the May 9 request, and “P. Wright” signed for the June 3 request.²⁵

The three 8210 requests, respectively, required Wright to respond and provide the requested information and documents by April 20, May 23, and June 17, 2022; in each instance, he failed to do so.²⁶ Because Wright failed to timely and fully provide the requested information and documents, I find that he violated FINRA Rules 8210 and 2010.

III. Sanctions

Citing FINRA’s Sanction Guidelines (“Guidelines”), Enforcement seeks to bar Wright from associating with any FINRA member firm in any capacity and expel BrokerBank from

²⁰ *Howard Brett Berger*, Exchange Act Release No. 58950, 2008 SEC LEXIS 3141, at *13 (Nov. 14, 2008), *petition for review denied*, 347 F. App’x 692 (2d Cir. 2009).

²¹ *CMG Inst’l Trading, LLC*, Exchange Act Release No. 59325, 2009 SEC LEXIS 215, at *15 (Jan. 30, 2009).

²² *Dep’t of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at *23–25 (NAC June 3, 2014), *aff’d*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

²³ Compl. ¶¶ 29-30, 34, 38, 41.

²⁴ Compl. ¶¶ 31, 35, 39. FINRA staff also sent the April 6 and May 9 requests to Wright via FINRA’s electronic compliance portal, FINRA Gateway. *Id.* ¶¶ 31, 35.

²⁵ Compl. ¶¶ 29, 32, 34, 36, 38, 40.

²⁶ Compl. ¶¶ 33, 37, 42.

FINRA membership. To protect the investing public,²⁷ and deter future misconduct,²⁸ I find that a bar and expulsion are appropriate.

A. Permitting an Unregistered and Disqualified Person to Associate with a Firm, Act in a Registered Capacity, and Share in Commissions (Causes One, Two, and Three)

One of the general principles for consideration in all sanction determinations is the aggregation of similar violations, such that when a violation is attributable to the same course of conduct, a unitary sanction may be proper.²⁹ Here, permitting Individual A to act in a registered capacity and share in commissions while he was unregistered and disqualified all arise out of the same course of misconduct. Accordingly, I find that a unitary sanction is appropriate for the violations alleged in causes one, two, and three.

1. Wright

The Guidelines for an individual allowing an unregistered person to act in a registered capacity (Cause One) recommend a fine from \$2,500 to \$20,000 and, where aggravating factors predominate, consideration of a suspension for up to two years or a bar. Specific factors relevant here are whether the respondent filed a registration application and the nature, extent, and duration of the respondent's responsibilities while unregistered.³⁰ The Guidelines for an individual do not specifically address allowing an unregistered person to share in commissions (Cause Three), but the Guidelines for allowing an unregistered person to act in a registered capacity are analogous and therefore applicable.³¹

The Guidelines for an individual allowing a disqualified person to associate with a firm (Cause Two) recommend a fine from \$5,000 to \$20,000 and, where aggravating factors predominate, consideration of a suspension of the supervisory principal in any or all capacities for up to two years or a bar of the supervisory principal, particularly where he or she knowingly allowed a disqualified person to become associated. The specific factors relevant here are slightly different than those for a registration violation: (1) the nature and extent of the disqualified person's activities and responsibilities; (2) whether a Form MC-400 application was pending; and (3) whether disqualification resulted from banking, insurance, or securities misconduct.³²

²⁷ Guidelines at 1 (2022) ("The regulatory mission of FINRA is to protect investors and strengthen market integrity ..."), <http://www.finra.org/sanctionguidelines>.

²⁸ Guidelines at 2 (General Principle No. 1).

²⁹ Guidelines at 4 (General Principle No. 4); *see also Dep't of Mkt. Reg. v. Naby*, No. 20120320803-01, 2017 FINRA Discip. LEXIS 27, at *28 (NAC July 24, 2017).

³⁰ Guidelines at 101.

³¹ *Makkai*, 2023 FINRA Discip. LEXIS 2, at *20.

³² Guidelines at 100.

Additional Principal Considerations relevant to determining sanctions here are the number, size, and character of the transactions³³ and whether Wright (1) potentially benefitted from his misconduct;³⁴ (2) acted intentionally, recklessly, or negligently;³⁵ (3) attempted to conceal his misconduct;³⁶ and (4) accepted responsibility for its actions.³⁷

Here, there are numerous aggravating factors and no mitigating ones. Wright, permitted Individual A, while unregistered, to act in a registered capacity for almost two years, including an almost three-month period when he was statutorily disqualified for securities misconduct. During the almost two-year period, Individual A was allowed to (1) communicate with customers regarding securities; (2) complete account paperwork and documents required to purchase more than \$1.8 million of securities in 14 transactions for 9 customers; and (3) receive more than \$100,000 in compensation in connection with securities transactions.

Wright did not submit a Form MC-400 application even though he knew that Individual A was statutorily disqualified and not registered during this period. Indeed, Wright, (1) deceptively listed himself as the registered representative for Individual A's customers; and (2) was aware of regulatory actions involving Individual A so that he knew or should have known that Individual A was suspended from associating with a FINRA member and therefore statutorily disqualified from conducting any securities business. Wright also has previously been disciplined by FINRA with a fine and suspension in 2016 for issuing misleading press releases.³⁸ Finally, there is no indication that Wright has accepted responsibility for his actions.

Given the number and degree of the aggravating factors, I find that a bar is appropriate. In light of the bar, I do not impose a fine.³⁹

2. BrokerBank

The Guidelines for a small firm allowing an unregistered person to act in a registered capacity (Cause One) recommend a fine from \$5,000 to \$77,000 and, where aggravating factors predominate, consideration of a suspension of the firm with respect to the relevant business lines or activities for up to two months. Specific factors relevant here include the nature, extent, and

³³ Guidelines at 8 (Principal Consideration No. 17).

³⁴ Guidelines at 8 (Principal Consideration No. 16).

³⁵ Guidelines at 8 (Principal Consideration No. 13).

³⁶ Guidelines at 7 (Principal Consideration No. 10).

³⁷ Guidelines at 7 (Principal Consideration No. 2).

³⁸ Glanzman Decl. ¶ 39; CX-15, at 13.

³⁹ Guidelines at 9 (“Adjudicators generally should not impose a fine if an individual is barred and there is no customer loss.”).

duration of the unregistered person's responsibilities.⁴⁰ As above, the Guidelines do not specifically address allowing an unregistered person to share in commissions (Cause Three); the Guidelines for allowing an unregistered person to act in a registered capacity are therefore applicable here.⁴¹

The Guidelines for a small firm allowing a disqualified person to associate with the firm (Cause Two) recommend a fine from \$5,000 to \$77,000 and, where aggravating factors predominate, consideration of a suspension of the firm with respect to the relevant business lines or activities for up to two years. The specific factors relevant here are slightly different than those for a registration violation: (1) the nature and extent of the disqualified person's activities and responsibilities; (2) whether a Form MC-400 application was pending; and (3) whether disqualification resulted from banking, insurance, or securities misconduct.⁴²

Additional Principal Considerations relevant to determining sanctions here are the same as above and are not restated. Finally, although the Guidelines for the specific offenses addressed herein do not suggest expulsion, the General Principles Applicable to All Sanction Determinations suggest higher sanctions, including expulsion, under certain circumstances relevant here: (1) "[s]anctions imposed on recidivists should be more severe because a recidivist, by definition, already has demonstrated a failure to comply with FINRA's rules or the securities laws;"⁴³ (2) "where aggravating factors predominate, Adjudicators may consider ... expelling a respondent firm, regardless of whether the specific guidelines applicable to the case recommend ... expulsion or other less severe sanctions;"⁴⁴ and (3) "numerous, similar violations may warrant higher sanctions because the existence of multiple violations may be treated as an aggravating factor."⁴⁵

Here, there are no mitigating factors. The aggravating factors are numerous and are the same as those stated above for Wright, with one deviation: BrokerBank was censured and fined in 2016 for issuing hundreds of misleading press releases,⁴⁶ and again censured and fined in 2018 for (1) failing to conduct reasonable due diligence as the placement agent for a private offering; and (2) failing to obtain required account forms for certain customers.⁴⁷

⁴⁰ Guidelines at 36. The Guidelines at 3 (General Principle No. 3) adopt the definition of a small firm from FINRA's By-Laws, Article 1(w), which states that a small firm is "any broker or dealer admitted to membership in the Corporation which, at the time of determination, has at least 1 and no more than 150 registered persons."

⁴¹ *Cf. Makkai*, 2023 FINRA Discip. LEXIS 2, at *20.

⁴² Guidelines at 35.

⁴³ Guidelines at 2 (General Principle No. 2).

⁴⁴ Guidelines at 4 (General Principle No. 3(h)).

⁴⁵ Guidelines at 4 (General Principle No. 4).

⁴⁶ Glanzman Decl. ¶ 39; CX-15, at 13.

⁴⁷ Glanzman Decl. ¶ 40; CX-16.

Although expelling BrokerBank is not a sanction specifically suggested for these violations, the fact that BrokerBank, through Wright, is a recidivist and has engaged in numerous, similar violations warrants consideration of expulsion. Moreover, Wright is the owner and CEO of BrokerBank; he controlled the firm, made the decisions, and caused these violations. As discussed above, I find that a bar is appropriate for Wright's violations. BrokerBank, through Wright, intentionally disregarded the suspension of Individual A such that I find no reason to believe that Wright would not involve himself in BrokerBank's day-to-day operations if BrokerBank was allowed to continue operating in the securities business after a suspension. Because BrokerBank is owned and controlled by Wright, barring Wright without also expelling BrokerBank would be ineffective.⁴⁸ Accordingly, given the significant and numerous aggravating factors applicable to both Wright and BrokerBank, I find that expulsion is appropriate.

B. Wright Failed to Respond to Requests for Information (Cause Four)

The Guidelines recommend that, if an individual did not respond in any manner, a bar in all capacities is standard. The key factor relevant to the appropriate sanction is the importance of the information requested as viewed from FINRA's perspective.⁴⁹

Here, FINRA staff sought information and documents from Wright to further FINRA's investigation into whether Wright and BrokerBank had (1) permitted an unregistered person to act in a registered capacity; (2) permitted a disqualified person to associate with BrokerBank; and (3) shared commissions with an unregistered person. The information sought was important to FINRA's investigation, yet Wright ignored FINRA's three requests. I thus find that a bar in all capacities from the securities industry is appropriate.

IV. Order

A. Wright

Respondent Philip Paul Wright is barred from associating with any FINRA member firm in any capacity for (1) permitting an unregistered person to act in a registered capacity in violation of NASD Rule 1031 (for conduct before October 1, 2018) and FINRA Rules 1210 (for conduct on or after October 1, 2018) and 2010; (2) permitting a disqualified person to associate with BrokerBank in violation of Article III, Section 3(b) of FINRA's By-Laws and FINRA Rules 8311 and 2010; and (3) sharing commissions with an unregistered person in violation of FINRA Rules 2040 and 2010. Wright is also barred from associating with any FINRA member firm in

⁴⁸ *Cf. Dakota Sec. Int'l, Inc.*, 2022 FINRA Discip. LEXIS 2, at *16–18 (expelling a firm for disregarding FINRA's membership rules and having no reason to believe that the firm's barred CEO and previous owner would not get involved in the day-to-day operations of the firm if permitted to operate).

⁴⁹ Guidelines at 93.

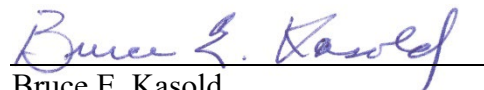
any capacity for failing to respond to FINRA's requests for information and documents in violation of FINRA Rules 8210 and 2010.

B. BrokerBank

Respondent BrokerBank Securities, Inc. is expelled from FINRA membership for (1) permitting an unregistered person to act in a registered capacity in violation of NASD Rule 1031 (for conduct before October 1, 2018), and FINRA Rules 1210 (for conduct on or after October 1, 2018) and 2010; (2) permitting a disqualified person to associate with the firm in violation of Article III, Section 3(b) of FINRA's By-Laws and FINRA Rules 8311 and 2010; and (3) sharing commissions with an unregistered person in violation of FINRA Rules 2040 and 2010.

C. Effective Dates

If this Default Decision becomes FINRA's final disciplinary action Wright's bar and BrokerBank's expulsion shall become effective immediately.



Bruce E. Kasold
Hearing Officer

Copies to:

BrokerBank Securities, Inc. (via overnight courier and first-class mail)
Philip Paul Wright (via email, overnight courier, and first-class mail)
Dale A. Glanzman, Esq. (via email)
Jennifer L. Crawford, Esq. (via email)