

BEFORE THE NATIONAL ADJUDICATORY COUNCIL
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of

Department of Enforcement,

Complainant,

vs.

Jose L. Centeno,
Nutley, NJ,

Respondent.

DECISION

Complaint No. 2020066079903

Dated: September 30, 2025

Registered representative and principal entered false information in firm records to reflect that he had reviewed exception reports when, in fact, he had not reviewed them. Held, findings of violation modified and sanctions affirmed.

Appearances

For the Complainant: Jennifer Crawford, Esq., John Luburic, Esq., Robert Miller, Esq., and Christen Sproule, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: Pro se

Decision

Jose Centeno appeals an August 28, 2024 Hearing Panel decision finding that he entered false information in firm records concerning his reviews of exception reports, and thereby violated FINRA Rule 2010. For this misconduct, the Hearing Panel suspended Centeno in all capacities for 12 months and imposed a \$10,000 fine.

Centeno argues that the sanctions the Hearing Panel imposed are excessive. Although Centeno does not challenge the Hearing Panel's determination that he violated FINRA Rule 2010, we address the nature and scope of his misconduct to provide a basis for the sanctions we impose. After an independent review, we affirm, with modifications, the Hearing Panel's findings that Centeno violated FINRA Rule 2010 by entering false information in firm records concerning his reviews of exception reports.

Considering the nature of the misconduct and the aggravating factors, and based on our independent review, we affirm the 12-month suspension and \$10,000 fine the Hearing Panel

imposed for Centeno's misconduct. Centeno engaged in a troubling pattern of behavior, repeatedly choosing to mark firm records to reflect that he had reviewed exception reports when, in fact, he had not reviewed them. By falsely marking those reports as reviewed, Centeno incorrectly represented to his firm that he had evaluated thousands of transactions for possible manipulative trading or other violations of the securities laws. We agree that a significant suspension and fine are warranted under these circumstances.

I. Facts

A. Centeno's Background in the Securities Industry

Centeno began his career in the securities industry at FINRA, where he first worked in a clerical role and later as a financial operations examiner. After leaving FINRA in 2014, Centeno associated with a FINRA member for several years. In July 2017, he associated with FINRA member Canaccord Genuity LLC ("Canaccord"), and, during the relevant period, was registered with the firm as a general securities representative, general securities principal, and securities trader. Based on the misconduct described in this decision, Canaccord terminated Centeno's employment with the firm effective September 30, 2021.

Centeno currently is associated with another FINRA member as a general securities representative, general securities principal, securities trader, operations professional, and securities trader principal. He serves as a compliance officer for that firm.

B. Canaccord's Business in Over-the-Counter Securities

Canaccord is a market maker in over-the-counter ("OTC") securities,¹ and its principal business is "servic[ing] wholesale retail order flow in OTC securities, which is directed through broker-dealer intermediaries." Because many OTC securities tend to be illiquid and subject to fewer disclosure requirements than exchange-listed securities, they are frequent targets for potential fraud and market manipulation.² Members who conduct business in OTC securities are required to employ policies reasonably designed to monitor and identify potential improper trading in those securities.³

¹ "OTC securities" refers to equities that are not traded on a national exchange. FINRA, *A Look at Over-the-Counter Equities Trading*, <https://www.finra.org/investors/insights/over-the-counter-equities-trading> (Apr. 24, 2024) [hereinafter, "*A Look at Over-the-Counter Equities Trading*"].

² *A Look at Over-the-Counter Equities Trading*; Joshua T. White, *Outcomes of Investing in OTC Stocks*, U.S. Securities and Exchange Commission: Division of Economic Risk and Analysis, at 11-12, https://www.sec.gov/files/white_outcomesotcinvesting.pdf (Dec. 16, 2016).

³ See FINRA Rules 3110, 3310; *FINRA Notice to Members 21-03*, 2021 FINRA LEXIS 2, at *3-4 (Feb. 2021); *Dep't of Enf't v. N. Woodward Fin. Corp.*, Complaint No. 2011028502101, 2016 FINRA Discip. LEXIS 35, at *27-28 (FINRA NAC July 19, 2016) (A firm's supervisory system must be "tailored specifically to the member's business and must address the activities of

[Footnote continued on next page]

C. Centeno's Duties at Canaccord

Centeno was a member of Canaccord's trading compliance group. That group was responsible for reviewing Canaccord's trading for suspicious activity, including money laundering, market manipulation, and other types of misconduct. To that end, members of the group were required to review multiple exception reports to detect and report possible improper trading.

Centeno's assignments included reviewing five different exception reports, namely, the firm's Wash Sales Reports, Marking-the-Open Reports, FID4025 Reports, FID5023 Reports, and Low Volume Reports. The purpose of each of these reports is discussed below. Canaccord generated all five of these reports daily, and Centeno was expected to review the reports the day they were generated and document his review in the firm's records.⁴ Centeno understood that he was required to review all the transactions listed in the reports, and not just samples of the listed transactions. He also understood that, when he marked a report as reviewed, he was representing to his firm that he had reviewed all the transactions listed in that report.⁵

D. Centeno Marks Batches of Exception Reports as Reviewed

Centeno frequently failed to review exception reports when they became available to him, and he often went weeks or months without marking any such reports as reviewed. Later, he would mark exception reports as reviewed in batches, often at the same time or within minutes of each other. As recounted below, Centeno engaged in a similar pattern of behavior with respect to each of the five types of exception reports for which he was responsible for review. We begin by discussing Centeno's actions with respect to the four types of exception reports stored on eQube[®] ("eQube"), a software platform, and then discuss Centeno's actions with respect to the exception report he received by email.

all its registered representatives and associated persons.") (quoting *NASD Notice to Members 99-45*, 1999 NASD LEXIS 20, at *5 (June 1999)) (emphasis in original)); *Michael T. Studer*, 57 S.E.C. 1011, 1023-24 (2004) ("The duty of supervision includes the responsibility to investigate 'red flags' that suggest that misconduct may be occurring and to act upon the results of such investigation.").

⁴ Canaccord generated the reports assigned to Centeno on a "T+1" basis—thus, each report listed trades from the previous day.

⁵ If Centeno identified a suspicious transaction in one of the reports, he was to notify the head of trading compliance, who would determine whether to take additional steps such as recommending the filing of a suspicious activity report ("SAR") to the firm's chief's compliance officer ("CCO"). Under the Bank Secrecy Act ("BSA"), 31 U.S.C. § 5311 et seq., broker-dealers are required to file SARs to report "suspicious transaction[s] relevant to a possible violation of a law or regulation." 31 U.S.C. § 5318(g)(1); 31 C.F.R. § 1023.320(a)(1).

1. Centeno's Reviews of Exception Reports Stored in eQube

Four of the five exception reports assigned to Centeno—the Wash Sales, Marking-the-Open, FID4025, and FID5023 Reports—were stored on a third-party proprietary software platform called eQube. To access those reports, Centeno would log in to the eQube system, using his unique identifier and password, and select a particular report from a list of all available reports.⁶ To document his review of a report stored in eQube, Centeno was required to click a button in the system labeled “reviewed.” Centeno’s usual practice was to open a report in the system and mark it as reviewed immediately after viewing it.⁷

The eQube system automatically created an audit trail that identified each user and recorded with timestamps their login and logout activity, as well as when the user marked a report “reviewed” or made any notes in the system concerning a report. The system did not permit users to alter records of their prior activity, which were “read-only.” Anytime a user took an action with respect to a report—such as marking it “reviewed” or adding a note—the system would record that action as a new record and add it to the audit trail.⁸

a. Centeno Marks 60 Wash Sales Reports as Reviewed in Several Batches

Canaccord’s Wash Sales Reports identified transactions in which there potentially were no changes in beneficial ownership and, therefore, may have been intended to create a false appearance of heightened volume or liquidity for the security. Each of the transactions listed in these reports represented a potential violation of the securities laws and FINRA rules.⁹

A typical Wash Sales Report included more than 500 transactions and could include more than 2,000 transactions.¹⁰ Each potential wash sale was listed in a line item in the report that

⁶ Centeno also accessed the eQube system to perform job responsibilities unrelated to exception report reviews.

⁷ There is no indication in the record that Centeno printed exception reports to review while not logged into eQube.

⁸ For example, if a user entered comments with respect to a report and later wished to edit those comments, eQube would record the edited comments as a new record in the audit trail without deleting or altering the record of the original comments.

⁹ Wash sales are prohibited under the securities laws and FINRA rules when they are entered for the purpose of creating a false or misleading appearance of active trading in a security, or a false or misleading appearance with respect to the market for a security. *See* 15 U.S.C. §§ 78i(a)(1)-(2); FINRA Rule 6140(b); *Edward J. Mawod & Co.*, 46 S.E.C. 865, 869-71 (1977), *aff’d*, 591 F.2d 588 (10th Cir. 1979).

¹⁰ As discussed below, *infra* at 15, we count each potential wash sale listed in the reports, including both the “buy” and “sell” sides, as a single transaction.

included information about the “buy” and “sell” sides of the transaction. To review whether the transaction may be an actual wash sale, Centeno needed to search for additional information about the “buy” and “sell” sides of the transaction in the firm’s order management system. While this sometimes required only a couple of seconds, certain transactions required more time to review because they required a consultation with trading desk staff. Even assuming Centeno spent only a couple of seconds reviewing each potential wash sale, a typical Wash Sales Report would require around 20 to 40 minutes to review.

Centeno would go weeks and even months without marking as reviewed any of the Wash Sales Reports assigned to him. For example, Centeno never marked as reviewed any of the Wash Sales Reports assigned to him between August 1, 2018, and December 5, 2018, or between October 25, 2019, and December 31, 2019.

On several days during 2019, however, Centeno marked batches of Wash Sales Reports as reviewed in short succession. For example, on May 2, 2019, Centeno logged into eQube at 8:03 a.m. and marked six Wash Sales Reports as reviewed at 8:23 a.m. These six reports were generated in February 2019 and contained 5,905 transactions in total. A few days later, on May 6, 2019, Centeno logged into eQube at 9:48 a.m. and marked seven Wash Sales Reports as reviewed at 10:05 a.m. He then marked an additional 18 Wash Sales Reports as reviewed between 10:27 a.m. and 10:32 a.m. The reports that Centeno marked as reviewed on this date were generated in March and April 2019 and contained 23,012 transactions in total.

Centeno subsequently marked a batch of 19 Wash Sales Reports (which contained 18,171 transactions in total) as reviewed on June 3, 2019, and a batch of 10 Wash Sales Reports (which contained 9,499 transactions in total) as reviewed on July 1, 2019. On each of these occasions, the reports had been generated during the previous month and Centeno took two or three minutes to mark them as reviewed in eQube.¹¹

In all, Centeno marked 60 Wash Sales Reports, which contained 56,587 transactions, as reviewed in several different batches. For each batch, the time Centeno spent marking the reports as reviewed after logging in to eQube was far less than the time required to review the total number of transactions listed in the reports. For example, the batch of 19 Wash Sales Reports Centeno marked as reviewed between 12:01 p.m. and 12:03 p.m. after logging in at 11:35 a.m. on June 3, 2019, contained 18,171 transactions in total and would have required more than 10 hours to review.

¹¹ In particular, Centeno logged into eQube at 11:35 a.m. on June 3, 2019, and marked 19 Wash Sales Reports as reviewed between 12:01 and 12:03 p.m. On July 1, 2019, Centeno logged into eQube at 11:42 a.m. and marked 10 Wash Sales Reports as reviewed between 11:43 a.m. and 11:44 a.m.

b. Centeno Marks 72 Marking-the-Open Reports as Reviewed in Several Batches

Canaccord's Marking-the-Open Reports flagged trading activity that took place shortly after the market opened and may have been intended to manipulate the price of a security. A typical Marking-the-Open Report included 300-500 transactions, each of which was a potential violation of the securities laws and FINRA rules.¹² Each transaction required Centeno at least 30 seconds to review, and at least some of the transactions required him to consult the firm's order management system. Because each transaction required at least 30 seconds to review, a typical Marking-the-Open Report required Centeno anywhere from two-and-a-half to four hours to review.

For weeks and sometimes months, Centeno would not mark as reviewed any of the Marking-the-Open Reports assigned to him. For example, Centeno never marked as reviewed any of the Marking-the-Open Reports assigned to him during August 2018. He also never marked as reviewed any of the Marking-the-Open Reports assigned to him between October 24, 2019, and December 16, 2019.

On several days during 2019, Centeno marked batches of Marking-the-Open Reports as reviewed in eQube in short succession. On May 6, 2019, Centeno logged into eQube at 9:48 a.m. and marked 44 Marking-the-Open Reports as reviewed between 10:38 a.m. and 10:53 a.m.¹³ These reports were generated in March, April, and early May 2019 and contained 16,953 transactions in total. On June 3, 2019, Centeno logged into eQube at 11:35 a.m. and marked 11 reports as reviewed between 11:39 a.m. and 11:45 a.m.¹⁴ These reports were generated in May 2019 and contained 4,603 transactions in total.

Centeno continued this pattern in July and September 2019, marking several batches of Marking-the-Open Reports as reviewed in eQube in brief time spans ranging from one minute to

¹² "Marking the open" is a form of market manipulation that violates the Exchange Act and FINRA rules. *See Dep't of Mkt. Reg. v. Morgan Stanley & Co., Inc.*, Complaint No. CMS960235, 2000 NASD Discip. LEXIS 1, at *57-63 (NASD NAC Jan. 18, 2000) (finding that the respondents manipulated the market, in violation of former NASD Rule 2120, by taking actions designed to artificially affect the opening prices of securities); *see also Dep't of Enf't v. Brokaw*, Discip. Prcdg. No. 2007007792902, 2010 FINRA Discip. LEXIS 34, at *27-31 & n.28, *34-35 (FINRA Hearing Panel June 11, 2010) (finding that the respondent's manipulative trading, including "marking the open" for securities, violated Exchange Act § 10(b), SEC Rule 10b-5, and former NASD Rules 2120 and 2110 (currently FINRA Rules 2020 and 2010)).

¹³ As discussed above, during the same eQube session, Centeno also marked a total of 25 Wash Sales Reports as reviewed at 10:05 a.m. and between 10:27 and 10:32 a.m.

¹⁴ As discussed above, during the same eQube session, Centeno also marked 19 Wash Sales Reports as reviewed between 12:01 p.m. and 12:03 p.m.

four minutes.¹⁵ In all, Centeno marked 72 Marking-the-Open Reports, which contained 28,528 transactions, as reviewed in six batches. For each batch, the time Centeno spent marking the reports as reviewed after logging in was far less than the time required to review the total number of transactions listed in the reports.¹⁶

c. Centeno Marks 53 FID4025 Reports as Reviewed in Several
Batches

Canaccord's FID4025 Reports were used to confirm that manually marked riskless principal trades were accurately recorded and reported.¹⁷ To review those reports, Centeno had to access and review information for each transaction in the firm's order management system. Each transaction in a FID4025 Report required one to two minutes for Centeno to review, and such a report typically included 20-40 transactions and could include more than 90 transactions. Accordingly, the time required for Centeno to review a typical FID4025 Report ranged from 20 minutes to more than an hour.

As with the Wash Sales and Marking-the-Open Reports, Centeno went lengthy periods without marking any FID4025 Reports as reviewed, despite Canaccord generating such reports daily. He marked no such reports as reviewed during 2018 or 2020. During 2019, he marked no FID4025 Reports as reviewed in January or February and again marked no such reports as reviewed between October and December.

¹⁵ Specifically, Centeno logged into eQube at 11:42 a.m. on July 1, 2019, and marked four reports (which contained 1,573 transactions in total) as reviewed at 11:45 a.m. and three reports (which contained 1,132 transactions in total) as reviewed at 12:01 p.m. All these reports were generated during the preceding month. On July 22, 2019, Centeno logged into eQube at 3:17 p.m. and marked six reports generated earlier that month (which contained 2,524 transactions in total) as reviewed between 3:18 p.m. and 3:21 p.m. And, on September 3, 2019, Centeno logged into eQube at 10:22 a.m. and marked four reports from the preceding month (which contained 1,743 transactions in total) as reviewed between 2:25 p.m. and 2:27 p.m.

¹⁶ For example, the batch of 44 Marking-the-Open Reports Centeno marked as reviewed between 10:38 a.m. and 10:53 a.m. after logging in at 9:48 a.m. on May 6, 2019, which contained 16,953 transactions in total, would have required more than 141 hours to review.

¹⁷ "A principal trade is a trade in which the broker/dealer buys or sells for an account in which the broker/dealer has a beneficial ownership interest (e.g., a proprietary account)." *NASD Notice to Members 01-85*, 2001 NASD LEXIS 91, at *3 (Dec. 2001). "[A] riskless principal trade is one in which a broker/dealer, after having received an order to buy (sell) a security, purchases (sells) the security as principal, at the same price, to satisfy that order." *Id.* at *4. Like other types of trades, riskless principal trades are subject to regulatory reporting requirements. *See, e.g., FINRA Rules 7130, 7230A, 7230B, 7330; FINRA, Trade Reporting Frequently Asked Questions, Section 302: Reporting Riskless Principal Transactions*, <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq#302> (last visited Sept. 23, 2025).

In several instances, Centeno marked batches of FID4025 Reports as reviewed in eQube in short succession. For example, on June 18, 2019, Centeno logged into eQube at 1:49 p.m. and marked 13 reports as reviewed between 1:55 p.m. and 1:58 p.m. Those reports were generated in May and June 2019 and contained 435 transactions in total. The next day, Centeno logged into the system at 8:20 a.m. and marked 14 FID4025 Reports as reviewed between 9:29 a.m. and 9:33 a.m. Those reports were generated in May and June 2019 and contained 578 transactions in total. Centeno marked additional batches of reports as reviewed on June 13, 2019, and September 4, 2019.¹⁸

In all, Centeno marked 53 FID4025 reports, which contained 1,717 transactions, as reviewed in four batches. As with the batches of Wash Sales and Marking-the-Open Reports, the time Centeno spent marking the reports as reviewed after logging in was far less than the time required to review the transactions listed in the reports.¹⁹

d. Centeno Marks 61 FID5023 Reports as Reviewed in Several
Batches

Canaccord's FID5023 Reports were used, in part, to confirm the firm's compliance with Regulation NMS's "Order Protection Rule." That rule protects against "trade-throughs," which occur when an order is executed "at a price that is inferior to the price of a protected quotation," without an applicable exception.²⁰ *Regulation NMS*, 70 Fed. Reg. 37,496, 37,501 (June 29, 2005); 17 C.F.R. § 242.611. Review of each transaction listed in a FID5023 Report was important to ensure that the customer received the best available price for their trade and, moreover, to ensure that the trade was not a potential regulatory violation.

Centeno could review some of the transactions in a FID5023 Report based on the information within the report. For those transactions, either a column within the FID5023 Report would indicate that an exception to the Order Protection Rule applied, or the information in the report otherwise would allow Centeno to determine if the transaction potentially violated the rule. Other transactions in a report would require additional research, such as speaking with

¹⁸ On June 13, 2019, Centeno logged into eQube at 2:02 p.m. and marked nine FID4025 Reports as reviewed between 5:10 p.m. and 5:12 p.m. Those reports were generated in March and April 2019 and contained 249 transactions in total. On September 4, 2019, Centeno logged into the system at 8:20 a.m. and marked 17 reports as reviewed between 8:26 a.m. and 8:37 a.m. Those reports were generated in June, July, and August 2019 and contained 455 transactions in total.

¹⁹ For example, the batch of 13 FID4025 reports that Centeno marked as reviewed between 1:55 p.m. and 1:58 p.m. after logging in at 1:49 p.m. on June 18, 2019, contained 435 transactions in total and would have required more than seven hours to review.

²⁰ To be protected, a quotation must be immediately and automatically accessible. Division of Market Regulation, SEC, *Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS*, at 1, <https://www.sec.gov/divisions/marketreg/rule611faq.pdf> (last visited Sept. 23, 2025).

trading desk staff. A typical FID5023 Report could include only a handful or as many as 200 transactions.²¹

As with the other types of exception reports, Centeno went weeks or even months without marking any FID5023 Reports as reviewed. For example, he marked more than 50 FID5023 Reports as reviewed on two days during February 2019, but marked no further reports as reviewed until the end of March of that year. Between July 23 and December 31, 2019, he marked only three FID5023 Reports as reviewed. During 2020, Centeno did not mark any FID5023 Reports as reviewed.

On several days during 2019 and 2021, Centeno marked batches of FID5023 Reports as reviewed in short succession. On January 24, 2019, Centeno logged into eQube at 8:46 a.m. and marked 25 FID5023 Reports as reviewed between 10:55 a.m. and 11:00 a.m. Those reports were generated in August and September 2018 and contained a total of 170 transactions. On February 5, 2019, Centeno logged into eQube at 9:13 a.m. and marked seven FID5023 Reports as reviewed between 9:29 a.m. and 9:33 a.m. Those reports were generated in October 2018 and contained 98 transactions in total.

On September 16 and September 20, 2021, Centeno marked several more batches of FID5023 Reports as reviewed. Those batches included 29 reports and 2,736 transactions in total, and they all were generated earlier that same month or during the previous month.²² Centeno marked these reports as reviewed after discussing his exception report reviews with Canaccord's CCO and his immediate supervisor, as described in the following section.

In all, Centeno marked as reviewed 61 FID5023 Reports, which contained 3,004 transactions, in six batches. For several of these batches, Centeno spent less than ten minutes marking the reports as reviewed.

2. Centeno Marks 137 Low Volume Reports as Reviewed

Canaccord's Low Volume Reports identified transactions in thinly traded securities, which can be susceptible to manipulation.²³ Centeno received a Low Volume Report for review by email each day, and the firm required him to document his daily reviews of those reports in a spreadsheet called the Daily Compliance Checklist, which was stored on the trading compliance

²¹ The record does not reflect how long it usually would take Centeno to review a FID5023 report.

²² Specifically, Centeno logged into eQube at 10:59 p.m. on September 16, 2021, and marked two reports as reviewed between 11:02 p.m. and 11:04 p.m. On September 20, 2021, Centeno logged into eQube at 7:03 a.m. and marked: (1) six reports as reviewed between 8:08 a.m. and 8:58 a.m.; (2) 18 reports as reviewed between 10:00 a.m. and 10:44 a.m.; and (3) three reports as reviewed between 12:28 p.m. and 1:50 p.m.

²³ See *supra* at 2 & n.2.

group's shared drive. Canaccord maintained a separate Daily Compliance Checklist for each calendar year, and multiple members of the trading compliance group used this checklist to document their review of certain reports assigned to them.²⁴ Users would record their reviews of the reports included on the checklist by entering their initials in a row under the column for the relevant report.²⁵

On or near September 1, 2021, Centeno's immediate supervisor and Canaccord's CCO called him to discuss his reviews of the Low Volume Reports. The CCO and immediate supervisor asked Centeno how far behind he was in his reviews of the Low Volume Reports and indicated that he should "start working his way" through any delinquent reviews of those reports. At or around the same time, Centeno told his immediate supervisor that he had "sporadically" reviewed the Low Volume Reports, and his supervisor asked him to make certain that the Daily Compliance Checklist reflected the reviews he had completed.²⁶

On September 1, 2021, shortly after he discussed his reviews of the Low Volume Reports with the CCO and his immediate supervisor, Centeno accessed the Daily Compliance Checklist for the preceding year (2020), added a column to the checklist,²⁷ and used that column to enter his initials next to 137 of the 254 Low Volume Reports assigned to him for review in 2020. By entering his initials next to reports on the checklist, Centeno intended to create support for his statement that he had sporadically reviewed those reports.

E. Canaccord and FINRA Investigate Centeno's Exception Report Reviews

On September 3, 2021, Canaccord provided to FINRA a copy of the 2020 Daily Compliance Checklist. Later that month, the firm detected that the spreadsheet inaccurately reflected that Centeno had reviewed Low Volume Reports. After conducting an internal investigation, Canaccord advised FINRA staff that Centeno had modified the checklist shortly before the firm provided it to FINRA, and that Centeno did not actually perform the reviews he purported to document on the spreadsheet.

²⁴ The trading compliance group used eQube to document reviews of some types of exception reports and used the Daily Compliance Checklist to document their reviews of other types of exception reports.

²⁵ Each row in the spreadsheet corresponded to the exception reports generated on a particular date.

²⁶ It is unclear whether this exchange between Centeno and his immediate supervisor took place during the telephone call with the CCO or during a separate conversation near the same time.

²⁷ When Centeno accessed the checklist on this date, there was no column to enter his initials for the Low Volume Reports because he previously had never marked any reports as reviewed on the checklist.

During its internal investigation, Canaccord determined that Centeno failed to complete reviews for several other types of exception reports, including the Marking-the-Open Reports, Wash Sales Reports, and FID5023 Reports. Canaccord also determined that Centeno had attempted to enter false information in records relating to his reviews of exception reports. Based on these findings, the firm terminated Centeno's employment with the firm effective September 30, 2021. In a Form U5 filed with FINRA, Canaccord disclosed that Centeno was "under internal review for failing to complete assigned compliance reviews and the accuracy of related records" at the time his employment was terminated.

After Canaccord terminated Centeno's employment, it responded to FINRA inquiries concerning, among other things, the firm's surveillance reviews for suspicious trading. In its responses, the firm provided information concerning Centeno's failure to perform exception report reviews and possible entry of false information in firm records of those reviews. FINRA took Centeno's on-the-record testimony ("OTR") on October 27, 2021, and April 25, 2023.

II. Procedural History

A. Enforcement Commences a Disciplinary Proceeding and the Parties Participate in a Hearing

On October 20, 2023, Enforcement filed a complaint alleging that Centeno violated Rule 2010 by entering false information in firm records concerning his reviews of exception reports. Specifically, the complaint alleged that, on certain dates in 2019 and 2021, Centeno marked as reviewed a total of 383 exception reports when, in fact, he did not review them. The complaint specified that these reports included: 60 Wash Sales Reports; 72 Marking-the-Open Reports; 53 FID4025 Reports;²⁸ 61 FID5023 Reports; and 137 Low Volume Reports. Centeno answered and requested a hearing to address the allegation.

The parties participated in a two-day hearing in June 2024, during which the following witnesses testified: Centeno; a FINRA investigator; and the chief executive officer ("CEO") of DbCom, the company that provides and operates the eQube platform.²⁹ FINRA's investigator testified about Enforcement's summary exhibits, which condensed Centeno's relevant audit trail activity in eQube and provided details concerning the exception reports he marked as reviewed on the dates in question. The investigator explained that he prepared these summary exhibits based on his review of the audit trail data and the contents of the exception reports at issue. The investigator also testified about Enforcement's exhibits addressing Centeno's review of the Low

²⁸ The complaint alleged that Centeno's misconduct involved 54 FID4025 reports but, in a prehearing brief, Enforcement stated that the misconduct involved 53 FID4025 reports. In this respect, Enforcement explained that one report inadvertently had been included twice in the complaint's allegation regarding the number of reports at issue. Accordingly, Enforcement represented that Centeno's misconduct involved a total of 383 exception reports, not 384, as the complaint had alleged.

²⁹ In his testimony, the CEO of DbCom provided details concerning eQube's functions and what types of user activity the software recorded.

Volume Reports, which included a copy of Canaccord's 2020 Daily Compliance Checklist, a summary exhibit reflecting Centeno's activity in that checklist, and an exhibit with metadata showing when that checklist had last been modified by various users, including Centeno.³⁰

During the hearing, Centeno admitted that he falsely marked as reviewed many of the exception reports at issue. He testified that many of the reports were too lengthy to review, that Canaccord staff failed to instruct him on how to properly review the reports, and that he did not fully understand what he should look for when evaluating the transactions in the reports.

In particular, Centeno agreed that he falsely marked as reviewed all 60 Wash Sales Reports and 72 Marking-the-Open Reports at issue. He also agreed that he falsely marked as reviewed the June 19 and September 4, 2019, batches of FID4025 Reports. With respect to the batch of FID4025 Reports he marked as reviewed on June 13, 2019, Centeno testified that he could not recall whether he actually reviewed those reports. Addressing the batch of reports he marked as reviewed on June 18, 2019, Centeno testified that he "may have reviewed a couple" of those reports. He admitted, however, that he previously testified in an OTR that he did not review those reports.

Addressing the FID5023 Reports, Centeno agreed that he falsely marked as reviewed the two September 2021 batches after a conversation with Canaccord's CCO. With respect to the two batches he marked as reviewed in January and February 2019, Centeno indicated that he may have reviewed some of those reports. He admitted, however, that during a previous OTR he testified that he did not review any of those reports.

Centeno also agreed that he entered his initials next to Low Volume Reports listed on the 2020 Daily Compliance Checklist to falsely mark them as reviewed, and that he did so in an attempt to save his job after his September 2021 conversation with his immediate supervisor and Canaccord's CCO. Later in his testimony, he equivocated, stating that it was possible someone else may have entered his initials next to some of the reports.³¹ Centeno agreed that, during a previous OTR, he testified that he personally entered his initials on the spreadsheet.

Enforcement requested that the Hearing Panel suspend Centeno in all capacities for 15 months and impose a \$10,000 fine. Centeno argued that a lesser sanction was warranted.

³⁰ Unlike the eCube audit trail data, the metadata for the Daily Compliance Checklist would reflect only a user's most recent action modifying the document.

³¹ Specifically, Centeno admitted that he typed his initials next to the Low Volume Reports for January, February, March, and April 2020. When asked about the remaining Low Volume Reports for 2020, Centeno stated that he "may have" entered his initials next to those reports but it was possible someone else had done so.

B. The Hearing Panel Issues a Decision Suspending and Fining Centeno

The Hearing Panel issued an August 28, 2024 decision finding, as alleged by Enforcement, that Centeno entered false information in his firm's records to reflect that he reviewed a total of 383 exception reports when, in fact, he did not review them. The Hearing Panel found incredible Centeno's testimony that he may have properly marked as reviewed some of the reports stored in eQube. In this respect, the Hearing Panel found Centeno's testimony evasive, implausible considering the brief timeframes involved, and inconsistent with the other evidence. The Hearing Panel also found incredible Centeno's testimony that someone else may have entered his initials in the 2020 Daily Compliance Checklist, observing that this testimony was "farfetched," uncorroborated, and evasive.

The Hearing Panel determined that Centeno violated Rule 2010 when he entered false information in his firm's records of his exception report reviews, finding this conduct unethical, dishonest, and contrary to standards of professional conduct. For this misconduct, the Hearing Panel imposed a 12-month suspension in all capacities and a \$10,000 fine.³² Centeno appealed the Hearing Panel's decision.³³

III. Discussion

Centeno does not contest the Hearing Panel's finding that he violated Rule 2010—rather, he challenges only the sanction the Hearing Panel imposed. We nevertheless review the nature and scope of Centeno's misconduct to provide a basis for the sanctions we impose.

Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."³⁴ For conduct to violate Rule 2010, it must be business-related and unethical or in bad faith. *See Blair Alexander West*, Exchange Act Release No. 74030, 2015 SEC LEXIS 102, at *19-20, 26 (Jan. 9, 2015), *aff'd*, 641 F. App'x 27 (2d Cir. 2016). The rule "applies when the misconduct reflects on the associated person's ability to comply with the regulatory requirements of the securities business and to fulfill his fiduciary duties in handling other people's money." *Daniel D. Manoff*, 55 S.E.C. 1155, 1162 (2002).

³² These sanctions were stayed automatically by Centeno's appeal to the NAC. FINRA Rule 9311(b).

³³ As to Centeno, we have considered this matter based on the record and his brief. *See* FINRA Rule 9342. Because Centeno requested oral argument and failed to appear after being duly notified of the time and place of the argument, he is deemed to have waived the opportunity for oral argument. *See id.*

³⁴ FINRA Rule 0140 provides that FINRA rules apply with equal force to member firms and associated persons. Thus, an associated person violates FINRA Rule 2010 when he or she engages in conduct that is business-related and unethical or in bad faith.

After an independent review, we agree with the Hearing Panel that Centeno entered false information in his firm's records, and that this conduct violated Rule 2010. As discussed below, Centeno's testimony, and the data concerning his activity in eQube and the compliance group's shared drive, demonstrates that he marked exception reports as reviewed when, in fact, he did not review them. Because this conduct was business-related and unethical, and reflected negatively on Centeno's ability to comply with regulatory requirements, it violated Rule 2010.

A. Enforcement's Summary Exhibits are Reliable Evidence of Centeno's Audit Trail Activity and the Underlying Exception Reports

Because the relevant exception reports and the audit trail data concerning Centeno's review of those reports in eQube were voluminous, Enforcement presented exhibits summarizing the reports and Centeno's review activities in lieu of the source documents. Like the Hearing Panel, we find these summary exhibits reliable and probative evidence.³⁵ Centeno did not object to the summary exhibits and FINRA's investigator authenticated them at the hearing, explaining that he created the exhibits based on his review of the eQube audit trail data and the relevant exception reports.

Although we find Enforcement's summary exhibits to be reliable evidence of Centeno's audit trail activity and the contents of the relevant exception reports, the calculations we make based on that data differ from the summary exhibits in a couple of respects. First, we use a different measure of the timeframes during which Centeno could have reviewed exception reports. In the summary exhibits, Enforcement calculated the total time Centeno spent reviewing batches of exception reports as the time he spent marking those reports as reviewed in eQube. As an example, for a session in which Centeno logged into eQube at 11:35 a.m. and marked 19 Wash Sales Reports as reviewed between 12:01 p.m. and 12:03 p.m., Enforcement calculated that Centeno spent a total of three minutes on the 19 reports. We do not base our conclusions on these timeframes. Instead, we consider whether Centeno could have reviewed the relevant exception reports between the time he logged into eQube and the time he marked the final report

³⁵ See *Dep't of Enf't v. Capellini*, Complaint No. 2020066627202, 2024 FINRA Discip. LEXIS 19, at *38 n.20 (FINRA NAC Oct. 3, 2024) (finding summary exhibits reliable when the FINRA investigator authenticated them and the respondent did not object to their admission during the hearing), *appeal docketed*, No. 3-22284 (SEC Oct. 30, 2024); *Dep't of Enf't v. Wiley*, Complaint No. 2011028061001, 2015 FINRA Discip. LEXIS 21, at *25-26 (FINRA NAC Feb. 27, 2015) (finding a summary exhibit reliable when it was authenticated by FINRA's investigator), *aff'd*, Exchange Act Release No. 76558, 2015 SEC LEXIS 4952 (Dec. 4, 2015); *cf.* Fed. R. Evid. 1006 (providing that summary exhibits may be used to prove the content of voluminous writings that cannot be conveniently examined by adjudicators); *Dep't of Enf't v. North*, Complaint No. 2010025087302, 2017 FINRA Discip. LEXIS 7, at *35 (FINRA NAC Mar. 15, 2017) ("It is well settled that the formal rules of evidence do not apply in FINRA proceedings, but FINRA adjudicators may look to the Federal Rules of Evidence for guidance."), *aff'd*, Exchange Act Release No. 84500, 2018 SEC LEXIS 3001 (Oct. 29, 2018).

in a batch as reviewed.³⁶ These lengthier timeframes better account for the possibility that, on at least some occasions, Centeno could have accessed exception reports in eQube and displayed them on his screen for a period before he began marking reports as reviewed.³⁷

Second, our determination of how many transactions were included in the Wash Sales Reports at issue differs from the calculation in the summary exhibit addressing those reports. In that exhibit, Enforcement counted each line item in a Wash Sales Report—which included the “buy” and “sell” sides of a potential wash sale—as two transactions. For purposes of this decision, we count each potential wash sale—encompassing both the “buy” and the “sell” sides—as a single transaction. We find this calculation to be appropriate here because it was the potential wash sale, including both the “buy” and “sell” sides, that represented an instance of possible manipulative trading and therefore required review. In any event, regardless of whether the trades listed in the Wash Sales Reports are counted as one or two transactions, our conclusion concerning Centeno’s liability for the alleged Rule 2010 violation is the same. Our determination to count each potential wash sale as a single transaction is relevant only to our conclusion concerning how many transactions Centeno’s misconduct involved.

B. Centeno Falsely Marked 60 Wash Sales Reports and 72 Marking-the-Open Reports as Reviewed

During the hearing, Centeno admitted that he falsely marked as reviewed in eQube 60 Wash Sales Reports and 72 Marking-the-Open Reports, as alleged. These admissions are consistent with the relevant audit trail data from eQube, which is summarized in the following chart:

³⁶ For instance, in the example discussed in this section, we consider whether Centeno could have reviewed 19 Wash Sales Reports between the time he logged into eQube at 11:35 a.m. and the time he marked the final report in the batch as reviewed at 12:03 p.m.—a total of 29 minutes.

³⁷ Centeno testified that he logged into eQube to perform job responsibilities other than exception report reviews. Therefore, it is not necessarily the case that he spent the full length of any eQube session addressing exception reports. But, because the eQube audit trail data did not include timestamps for when a user opened exception reports, we do not know whether, or for how long, Centeno may have displayed an exception report on his screen prior to marking it as reviewed. Accordingly, for purposes of our decision, we consider whether Centeno could have reviewed the relevant reports between login and the time he finished marking a batch as reviewed.

Audit Trail Data for Wash Sales and Marking-the-Open Reports

Date and Login Time for eQube Session	Type and Number of Reports; Time Marked Reviewed	Timeframe the Reports were Generated	Total Transactions	Time between Login and Final Report Marked Reviewed; Total Reports
May 2, 2019; 8:03 a.m.	<u>Wash Sales</u> : 6 at 8:23 a.m.	<u>Wash Sales</u> : February 2019	<u>Wash Sales</u> : 5,905	<u>Wash Sales</u> : 21 minutes; 6 reports
May 6, 2019; 9:48 a.m.	<u>Wash Sales</u> : 7 at 10:05 a.m.; 18 between 10:27 - 10:32 a.m. <u>Marking-the-Open</u> : 44 between 10:38 - 10:53 a.m.	<u>Wash Sales</u> : March, April 2019 <u>Marking-the-Open</u> : March, April, and May 2019	<u>Wash Sales</u> : 23,012 <u>Marking-the-Open</u> : 16,953	<u>Wash Sales</u> : 45 minutes; 25 reports <u>Marking-the-Open</u> : 1 hour, 6 minutes; 44 reports
June 3, 2019; 11:35 a.m.	<u>Wash Sales</u> : 19 between 12:01 - 12:03 p.m. <u>Marking-the-Open</u> : 11 between 11:39 - 11:45 a.m.	<u>Wash Sales</u> : May 2019 <u>Marking-the-Open</u> : May 2019	<u>Wash Sales</u> : 18,171 <u>Marking-the-Open</u> : 4,603	<u>Wash Sales</u> : 29 minutes; 19 reports <u>Marking-the-Open</u> : 11 minutes; 11 reports
July 1, 2019; 11:42 a.m.	<u>Wash Sales</u> : 10 between 11:43 - 11:44 p.m. <u>Marking-the-Open</u> : 4 at 11:45 a.m.; 3 at 12:01 p.m.	<u>Wash Sales</u> : June 2019 <u>Marking-the-Open</u> : June 2019	<u>Wash Sales</u> : 9,499 <u>Marking-the-Open</u> : 2,705	<u>Wash Sales</u> : 3 minutes; 10 reports <u>Marking-the-Open</u> : 20 minutes; 7 reports
July 22, 2019; 3:17 p.m.	<u>Marking-the-Open</u> : 6 between 3:18 - 3:21 p.m.	<u>Marking-the-Open</u> : July 2019	<u>Marking-the-Open</u> : 2,524	<u>Marking-the-Open</u> : 5 minutes; 6 reports
Sept. 3, 2019; 10:22 a.m.	<u>Marking-the-Open</u> : 4 between 2:25 - 2:27 p.m.	<u>Marking-the-Open</u> : August 2019	<u>Marking-the-Open</u> : 1,743	<u>Marking-the-Open</u> : 4 hours, 6 minutes; 4 reports

The audit trail data reflects that Centeno marked batches of Wash Sales and Marking-the-Open Reports as reviewed during timeframes that could not have allowed for his actual review of those reports. Considering that each potential wash sale required Centeno a minimum of two

seconds to review³⁸ and each transaction in a Marking-the-Open Report required a minimum of 30 seconds, it is impossible that Centeno reviewed:

- (1) six Wash Sales Reports, which contained 5,905 transactions requiring more than three hours to review, during a 21-minute period on May 2, 2019;
- (2) 25 Wash Sales Reports, which contained 23,012 transactions requiring more than 12 hours to review, over a 45-minute period, and 44 Marking-the-Open Reports, which contained 16,953 transactions requiring more than 141 hours to review, during a 66-minute period, on May 6, 2019;
- (3) 19 Wash Sales Reports, which contained 18,171 transactions requiring more than ten hours to review, over a 29-minute period, and 11 Marking-the-Open Reports, which contained 4,603 transactions requiring more than 38 hours to review, during an 11-minute period, on June 3, 2019;
- (4) 10 Wash Sales Reports, which contained 9,499 transactions requiring more than five hours to review, over a three-minute period, and seven Marking-the-Open Reports, which contained 2,705 transactions requiring more than 22 hours to review, during a 20-minute period, on July 1, 2019;
- (5) six Marking-the-Open Reports, which contained 2,524 transactions requiring more than 21 hours to review, during a five-minute period on July 22, 2019; and
- (6) four Marking-the-Open Reports, which contained 1,743 transactions requiring more than 14 hours to review, during a four-hour-and-six-minute period on September 3, 2019.

Considering Centeno's admissions at the hearing and this audit trail data, we agree with the Hearing Panel's finding that he falsely marked as reviewed in eQube 60 Wash Sales Reports and 72 Marking-the-Open Reports. *See Dep't of Enf't v. Masceri*, Complaint No. C8A040079, 2006 NASD Discip. LEXIS 29, at *28 (NASD NAC Dec. 18, 2006) ("Admissions generally are considered strong evidence.").

Based on Enforcement's summary exhibit addressing the Marking-the-Open Reports, we also agree with the Hearing Panel's finding that the 72 Marking-the-Open Reports Centeno falsely marked as reviewed contained 28,528 transactions. Based on the data in the summary

³⁸ Because we count each potential wash sale listed in the reports as a single transaction, we include the time it would have taken to review both the "buy" and "sell" sides of the potential wash sale to determine how much time it would have taken to review that transaction.

exhibit addressing the Wash Sales Reports, we conclude that the 60 Wash Sales Reports Centeno falsely marked as reviewed contained 56,587 transactions.³⁹

C. Centeno Falsely Marked 44 FID4025 Reports as Reviewed

Enforcement alleged that Centeno falsely marked four batches of FID4025 Reports, consisting of 53 reports total, as reviewed in eQube in June and September 2019. The audit trail activity for those reviews is summarized in the chart below:

Audit Trail Data for FID4025 Reports

Date and Login Time for eQube Session	Number of Reports; Time Marked Reviewed	Timeframe the Reports were Generated	Total Transactions	Time between Login and Final Report Marked Reviewed; Total Reports
June 13, 2019; 2:02 p.m.	9 reports, 5:10 – 5:12 p.m.	March and April 2019	249	3 hours, 11 minutes; 9 reports
June 18, 2019; 1:49 p.m.	13 reports, 1:55 – 1:58 p.m.	May and June 2019	435	10 minutes; 13 reports
June 19, 2019; 8:20 a.m.	14 reports, 9:29 – 9:33 a.m.	May and June 2019	578	1 hour, 14 minutes; 14 reports
Sept. 4, 2019; 8:20 a.m.	17 reports, 8:26 – 8:37 a.m.	June, July, and August 2019	455	18 minutes; 17 reports

At the hearing, Centeno agreed that he falsely marked as reviewed a batch of 14 FID4025 Reports on June 19, 2019, and a batch of 17 FID4025 Reports on September 4, 2019. This testimony is consistent with the relevant audit trail data. Considering that each transaction in a FID4025 Report required one to two minutes for Centeno to review, it is impossible that he reviewed 14 reports (which contained 578 transactions) in just one hour and 14 minutes, and 17 reports (which contained 455 transactions) in only 18 minutes. Based on Centeno's admissions and this audit trail data, we agree with the Hearing Panel that he falsely marked a total of 31

³⁹ This number divides in half the number of transactions listed in Enforcement's summary exhibit addressing the Wash Sales Reports (113,174), which counted each potential wash sale as two transactions. As discussed above, we count each potential wash sale listed in the Wash Sales Reports as a single transaction.

reports as reviewed on June 19 and September 4, 2019. *See Masceri*, 2006 NASD Discip. LEXIS 29, at *28.

Centeno equivocated when asked about the batch of reports he marked as reviewed on June 18, 2019, stating that he “may have reviewed a couple” of those reports. We find this testimony incredible, as it was inconsistent with Centeno’s prior OTR testimony and implausible considering the relevant audit trail data.⁴⁰ *Wilfredo Felix*, Exchange Act Release No. 101733, 2024 SEC LEXIS 3309, at *14-16 (Nov. 25, 2024) (explaining that the NAC must review de novo a credibility finding that is “based on objective inconsistency or fundamental implausibility”), *appeal docketed*, No. 25-1038 (D.C. Cir. Jan. 24, 2025). Centeno agreed that, during a previous OTR, he testified that he marked these reports as reviewed without actually reviewing them. Moreover, the audit trail data reflects that Centeno marked this batch of 13 reports, which contained 435 transactions, as reviewed over the course of four minutes and only 10 minutes after he logged into eQube. Because each of those 435 transactions would have required Centeno at least one minute to review, it is impossible he reviewed them in 10 minutes. Accordingly, we conclude that Centeno falsely marked as reviewed a batch of 13 FID4025 Reports on June 18, 2019.

As to the batch of nine FID4025 Reports Centeno marked reviewed on June 13, 2019, we reach a different conclusion than the Hearing Panel. Centeno did not admit that he falsely marked those reports as reviewed—rather, he testified that he “potentially did not review” the reports. Enforcement did not introduce prior OTR testimony or other evidence contradicting this statement, and the audit trail data indicates that Centeno could have reviewed several of the reports.⁴¹ Because the record does not include further information concerning Centeno’s potential review of the reports in this batch, we conclude that Enforcement did not demonstrate by a preponderance that he falsely marked these particular reports as reviewed. *See Thomas Lee Johnson*, Exchange Act Release No. 99596, 2024 SEC LEXIS 444, at *11-12 (Feb. 23, 2024) (noting that the preponderance-of-the-evidence standard applies in FINRA disciplinary actions). Accordingly, while we agree with the Hearing Panel that Centeno falsely marked FID4025 Reports as reviewed, we modify its finding to conclude that the misconduct involved 44 reports and not 53 reports. Based on the information in the relevant summary exhibit, we conclude that those 44 reports included 1,468 transactions.

⁴⁰ While the Hearing Panel also found Centeno’s testimony to be “evasive,” and “vague, equivocating, and speculative,” we do not, in this case, understand this to be a demeanor-based finding, to which we would defer. *See Felix*, 2024 SEC LEXIS 3309, at *14-16. The Hearing Panel based these findings on the content of Felix’s testimony, which can be readily ascertained from the record. *Id.*

⁴¹ While the audit trail data for June 13, 2019, reflects that Centeno spent only three minutes marking nine FID4025 reports as reviewed, it also reflects that more than three hours elapsed between the time he logged into eQube and the time he marked the final report in that batch as reviewed. Assuming it would take Centeno one minute to review each of the 249 transactions contained in the reports, it is possible he reviewed several of the reports during that period.

D. Centeno Falsely Marked 61 FID5023 Reports as Reviewed

Enforcement alleged that Centeno falsely marked four batches of FID5023 Reports, consisting of 61 reports total, as reviewed in eQube in January and February 2019 and September 2021. The audit trail activity for those reviews is summarized in the chart below:

Audit Trail Data for FID5023 Reports

Date and Login Time for eQube Session	Number of Reports; Time Marked Reviewed	Timeframe the Reports were Generated	Total Transactions	Time between Login and Final Report Marked Reviewed; Total Reports
Jan. 24, 2019; 8:46 a.m.	25 reports; 10:55 – 11:00 a.m.	August and September 2018	170	2 hours, 15 minutes; 25 reports
Feb. 5, 2019; 9:13 a.m.	7 reports; 9:29 – 9:33 a.m.	October 2018	98	21 minutes; 7 reports
Sept. 16, 2021; 10:59 p.m.	2 reports; 11:02 – 11:04 p.m.	September 2021	165	6 minutes; 2 reports
Sept. 20, 2021; 7:03 a.m.	6 reports; 8:08 – 8:58 a.m. 18 reports; 10:00 – 10:44 a.m. 3 reports; 12:28 – 1:50 p.m.	August and September 2021	2,571	6 hours, 48 minutes; 27 reports

At the hearing, Centeno admitted that he did not review the batches of reports he marked as reviewed on September 16 and September 20, 2021, explaining that he marked these reports as reviewed after a conversation with Canaccord's CCO. Centeno's admissions in this respect are consistent with his other testimony describing the circumstances during that timeframe—namely, that in September 2021, he falsely marked other exception reports as reviewed after he learned that his supervisors were reviewing his exception report activity. Based on Centeno's testimony, we agree with the Hearing Panel that he falsely marked as reviewed two FID5023 Reports on September 16, 2021, and a total of 27 FID5023 Reports on September 20, 2021. *See Masceri*, 2006 NASD Discip. LEXIS 29, at *28.

With respect to the batches of FID5023 Reports he marked as reviewed in January and February 2019, Centeno testified that he potentially was able to quickly review some of the

reports at issue. This testimony is inconsistent with Centeno's prior OTR testimony, in which he admitted that he falsely marked these batches of reports as reviewed. *Felix*, 2024 SEC LEXIS 3309, at *15-16. We find Centeno's prior admission more credible than his hearing testimony, as it was made closer in time to the relevant events and Centeno did not explain why his prior testimony differed from his hearing testimony. See *Montford and Co., Inc.*, Investment Advisers Act Release No. 3829, 2014 SEC LEXIS 4597, at *36-37 (May 2, 2014) (crediting the respondent's admissions during his investigative testimony over his hearing testimony, in part because the investigative testimony was given closer in time to the events at issue), *aff'd*, 793 F.3d 76 (D.C. Cir. 2015); *Dep't of Enf't v. White*, Discip. Proc. No. 2012033128703, 2015 FINRA Discip. LEXIS 48, at *31 (FINRA Hearing Panel June 30, 2015) (explaining that the panel credited the respondent's "OTR testimony over his contrary hearing testimony . . . as it was given closer in time to the events at issue in this proceeding . . . [and] before he could better evaluate the impact on him of one answer or response versus another"). Moreover, Centeno's prior testimony is more consistent with the relevant audit trail data, which reflects that he marked 25 reports, containing 170 transactions, as reviewed over the course of six minutes a little more than two hours after logging into eQube on January 24, 2019, and marked seven reports, containing 98 transactions, as reviewed over the course of five minutes only 21 minutes after logging into eQube on February 5, 2019. All the reports were generated between August and October 2018—months before Centeno marked them as reviewed. Considering the reports' dated nature and the number of transactions they contained, we find it unlikely that Centeno reviewed them during the applicable timeframes.⁴² Therefore, based on Centeno's OTR testimony and the audit trail data, we agree with the Hearing Panel that he falsely marked a total of 32 FID5023 Reports as reviewed in January and February 2019. See *Johnson*, 2024 SEC LEXIS 444, at *11-12 (applying the preponderance-of-the-evidence standard).

In sum, we agree with the Hearing Panel that Centeno falsely marked as reviewed a total of 61 FID5023 Reports. Based on Enforcement's summary exhibits, we conclude that those reports included a total of 3,004 transactions.

E. Centeno Falsely Marked 137 Low Volume Reports as Reviewed

We also agree with the Hearing Panel's determination that Centeno falsely marked as reviewed 137 Low Volume Reports. At the hearing, Centeno testified that he did not review the transactions in the Low Volume Reports.⁴³ He also testified that in September 2021, he accessed the 2020 Daily Compliance Checklist, created a column in that checklist to add his initials, and

⁴² In this respect, we consider that review of some of the transactions in those reports required Centeno to conduct research outside the report, such as talking to trading desk staff. We look to the sample FID5023 Report in the record as an example, as Centeno agreed this was typical of such reports. While four of the transactions listed in that report are marked as exempt from the rule against trade-throughs, three are not marked as being subject to such an exemption and, therefore, could require further analysis or research.

⁴³ Specifically, Centeno explained that he did not review the individual transactions to determine why they were included in the Low Volume Reports and to "close them out," adding that it would have been "humanly impossible" for him to do so.

placed his initials next to some of the Low Volume Reports to mark them as reviewed. Centeno admitted that he took these actions to save his job by creating support for statements he made to his supervisor and Canaccord's CCO that he "sporadically" had reviewed the firm's Low Volume Reports. Centeno's testimony in this respect is consistent with Canaccord's 2020 Daily Compliance Checklist, which reflects that he placed his initials next to 137, or about half, of the 254 Low Volume reports generated that year. This testimony also is consistent with the metadata for the checklist, which reflects that Centeno last modified that document on September 1, 2021.

Later in the hearing, Centeno equivocated as to whether he was the individual who placed his initials next to all 137 Low Volume Reports, stating that perhaps another Canaccord employee had placed his (Centeno's) initials next to some of those reports on the checklist. We find this testimony incredible, as it was both inconsistent with Centeno's prior OTR testimony and uncorroborated. *Felix*, 2024 SEC LEXIS 3309, at *15-16. Centeno admitted that, during a previous OTR, he testified that he was the individual who placed his initials next to the Low Volume Reports listed on the 2020 checklist. Moreover, Centeno identified no evidence that someone other than himself placed his initials on the checklist, and none is included in the record.⁴⁴ Finding Centeno's testimony in this respect incredible—and considering his earlier testimony at the hearing—we agree with the Hearing Panel that Centeno falsely marked 137 Low Volume Reports as reviewed in Canaccord's records. *See Masceri*, 2006 NASD Discip. LEXIS 29, at *28.

F. Centeno Violated Rule 2010 When He Falsely Marked Exception Reports as Reviewed in His Firm's Records

As discussed above, we conclude that Centeno falsely marked as reviewed a total of 374 exception reports—consisting of 60 Wash Sales Reports, 72 Marking-the-Open Reports, 44 FID4025 Reports, 61 FID5023 Reports, and 137 Low Volume Reports. We agree with the Hearing Panel that this conduct violated Rule 2010.

Centeno failed to adhere to high standards of commercial honor and just and equitable principles of trade when he falsely marked exception reports as reviewed in his firm's records. *See* FINRA Rule 2010; *West*, 2015 SEC LEXIS 102, at *19-20; *Dep't of Enf't v. Cohen*, Complaint No. EAF0400630001, 2010 FINRA Discip. LEXIS 12, at *35-40 (FINRA NAC Aug. 18, 2010) ("Entering inaccurate information into a member firm's books or records violates

⁴⁴ Centeno speculated that a former employee in the trading compliance group may have entered his (Centeno's) initials on the 2020 Daily Compliance Checklist, noting that Canaccord had terminated that person's employment for making false entries concerning her own and other employees' exception report reviews in firm records. But Centeno failed to identify any evidence that this former employee had entered Centeno's initials on the 2020 Daily Compliance Checklist. Considering Centeno's OTR and hearing testimony that he placed his initials on the checklist following a call with his supervisors, and the metadata reflecting that he modified the checklist on September 1, 2021, we conclude that Centeno, more likely than not, was the individual who placed his initials next to 137 Low Volume Reports listed on the checklist. *See Johnson*, 2024 SEC LEXIS 444, at *11-12.

[FINRA Rule 2010's] requirement to comply with high standards of commercial honor and just and equitable principles of trade”), *aff’d sub nom. Dennis S. Kaminski*, Exchange Act Release No. 65347, 2011 SEC LEXIS 3225 (Sept. 16, 2011). His business-related conduct was unethical and dishonest, and it demonstrated his willingness to flout regulatory requirements. *See Manoff*, 55 S.E.C. at 1162; *Cohen*, 2010 FINRA Discip. LEXIS 12, at *35-43, *64 (observing that the respondents’ creation of inaccurate compliance records was dishonest and suggested a willingness to bend regulatory requirements). Centeno knew he was representing to Canaccord that he had reviewed all the transactions in an exception report when he marked it as reviewed. Canaccord relied on the exception reports at issue to meet its regulatory requirements, including its requirement to monitor for potential manipulative trading. Yet, Centeno repeatedly chose to falsely mark exception reports as reviewed, elevating his own self-interest over his role in satisfying important regulatory requirements. Under these circumstances, we have no doubt that Centeno’s conduct violated Rule 2010. *See Dep’t of Enf’t v. Taylor*, Complaint No. C8A050027, 2007 NASD Discip. LEXIS 11, at *22-23 (NASD NAC Feb. 27, 2007) (falsifying records violates Rule 2010 and “is a prime example of misconduct that adversely reflects on a person’s ability to comply with regulatory requirements”).

Throughout this disciplinary proceeding, Centeno has failed to offer a reason why his conduct did not violate Rule 2010. While he testified that he lacked sufficient time and expertise to review the exception reports assigned to him, the solution to these problems was not to enter false information in his firm’s records. *See Dep’t of Enf’t v. Pierce*, Complaint No. 2007010902501, 2013 FINRA Discip. LEXIS 25, at *65 (FINRA NAC Oct. 1, 2013) (purported inadequate training did not excuse the respondent’s misrepresentations on annuity forms); *Dep’t of Enf’t v. Pellegrino*, Discip. Proc. No. C3B050012, 2008 FINRA Discip. LEXIS 10, at *77 (FINRA NAC Jan. 4, 2008) (the respondent’s heavy workload did not excuse his misconduct), *aff’d*, Exchange Act Release No. 59125, 2008 SEC LEXIS 2843 (Dec. 19, 2008). And, while Centeno cast blame on his supervisors for overburdening and undertraining him, he cannot avoid responsibility for his own actions by shifting blame to others. *Justine Susan Fischer*, 53 S.E.C. 734, 741 n.4 (1998) (“A broker has responsibility for his or her own actions and cannot blame others for [his] own failing.”). Regardless of whether there were failings by other Canaccord staff, Centeno bears the responsibility for his repeated choices to enter false information in his firm’s records and resulting failure to adhere to the high standards required of those in the industry. *See id.*; *Manoff*, 55 S.E.C. at 1162. Moreover, Centeno was a general securities principal and compliance professional who previously worked at FINRA, and he should have been well aware that entering false information in a firm’s records is not permissible under any circumstances.

IV. Sanctions

On de novo review, and for the reasons discussed below, we affirm the 12-month suspension in all capacities and \$10,000 fine imposed by the Hearing Panel.

Like the Hearing Panel, we look to the FINRA Sanction Guideline for recordkeeping violations as the most analogous to Centeno’s misconduct, as there is no specific Guideline for

an independent FINRA Rule 2010 violation.⁴⁵ For recordkeeping violations, the Guidelines recommend consideration of a suspension in any or all capacities from ten business days to three months or, when aggravating factors predominate, of up to two years or a bar.⁴⁶ The Guidelines also recommend a fine ranging from \$2,500 to \$40,000.⁴⁷

The Principal Considerations relevant to recordkeeping violations are:

- (1) the nature and materiality of the inaccurate or missing information;
- (2) the type and number of records at issue;
- (3) whether the inaccurate or missing information was entered or omitted intentionally, recklessly, or as the result of negligence;
- (4) whether the violations occurred over an extended period of time or involved a pattern or patterns of misconduct; and
- (5) whether the violations allowed other misconduct to occur or to escape detection.⁴⁸

Here, aggravating factors predominate. As discussed above, the false entries Centeno made in his firm's records made it appear that he had reviewed more than 50,000 transactions in exception reports when he had not done so. Centeno's review of those transactions was important to the firm's regulatory compliance, including its obligations to monitor for manipulative trading and compliance with Regulation NMS. The firm's records of its exception report reviews were important also because they documented the firm's supervision of trades in relatively risky OTC securities.⁴⁹ Moreover, Centeno's misconduct involved a total of 374 exception reports, took place over the course of almost two years, and involved a pattern of

⁴⁵ *FINRA Sanction Guidelines* (March 2024), at 1, 91, https://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf (hereinafter, "Guidelines"). While the Guideline for falsification of records is also analogous, *Guidelines* at 97, the Guideline for recordkeeping violations adequately addresses Centeno's misconduct and we therefore see no reason to apply a different Guideline than the Hearing Panel. In any event, the Guideline for falsification of records provides a similar range of sanctions: a fine of \$5,000 to \$40,000 and, where aggravating factors predominate, a suspension of six months to two years or a bar. *Guidelines* at 97.

⁴⁶ *Id.* at 91.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *See supra*, at 2.

falsely marking batches of reports as reviewed. Accordingly, we conclude that Centeno's misconduct is aggravated by the nature and materiality of the inaccurate information, the type and number of records at issue, and the period and pattern of misconduct.⁵⁰

Centeno's misconduct is aggravated further by its intentional nature.⁵¹ Centeno knew that Canaccord management expected him to review all the transactions in the exception reports assigned to him and that, when he falsely marked an exception report as reviewed, he was misrepresenting that he had reviewed those transactions. He nevertheless chose to falsely mark exception reports as reviewed in firm records.

In addition, while the record does not reflect whether Centeno's falsifications resulted in other misconduct escaping detection, they created that potential.⁵² Centeno admitted that each transaction listed in the Wash Sales and Marking-the-Open Reports represented a possible instance of manipulative trading. He also admitted that the purpose of the Low Volume Reports was to monitor for manipulative trading, that review of each transaction listed in a FID4025 Report was important to the firm's regulatory reporting requirements, and that each transaction in a FID5023 Report represented a potential violation of Regulation NMS. By falsely recording that he reviewed some of these reports, Centeno misrepresented to his firm that he had considered whether any of the included transactions warranted further evaluation as a possible regulatory violation. Accordingly, we conclude that Centeno's misconduct is aggravated by the fact that it created the potential that regulatory violations would escape detection. *See Cohen*, 2010 FINRA Discip. LEXIS 12, at *65 (finding the respondents' falsifications of compliance records to be "egregious" when, among other things, the falsifications aided the firm in "avoiding [the] regulatory detection of irregularities and ran counter to the very surveillance that the recordkeeping requirements were designed to promote").

We are also troubled that, during the hearing, Centeno cast blame on Canaccord and its trading compliance group staff. Centeno's reluctance to accept full responsibility for his misconduct indicates a higher risk that he may repeat it—which is particularly concerning considering that he continues to serve in a compliance role. *See James Gerard O'Callaghan*, Exchange Act Release No. 61134, 2009 SEC LEXIS 4167, at *16 (Dec. 10, 2009) (observing that the applicant's "failure to accept responsibility and to recognize the wrongfulness of his conduct suggests a troubling lack of appreciation for the responsibilities of a securities professional that further indicates a potential for repetition, particularly given that he is now his firm's compliance officer"). Accordingly, we find Centeno's failure to accept full responsibility for his actions to be another aggravating factor. *See Dep't of Enf't v. Evansen*, Complaint No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at *55-56 (FINRA NAC June 3, 2014) (finding it aggravating that the respondent persisted in failing to accept responsibility for his misconduct, instead shifting blame to others), *aff'd*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

⁵⁰ *Guidelines*, at 91.

⁵¹ *Id.*

⁵² *Id.*

Considering the nature of the misconduct, the relevant Guideline, and the aggravating factors, we conclude that a 12-month suspension and \$10,000 fine are appropriately remedial sanctions. The suspension and fine will protect investors from any recurrence of Centeno's misconduct by impressing upon him the seriousness of his misconduct and ensuring that he takes his responsibilities seriously going forward. The suspension and fine will also serve as a deterrent, discouraging others from engaging in similar conduct and reinforcing the consequences of violating FINRA rules.

Finally, we reject Centeno's arguments that a lesser sanction is warranted. While Centeno argues that he did not stand to gain a monetary profit from his misconduct, the absence of monetary gain is not a mitigating factor. *Howard Braff*, Exchange Act Release No. 66467, 2012 SEC LEXIS 620, at *26 & n.25 (Feb. 24, 2012) ("The absence of monetary gain or customer harm is not mitigating . . ."). Moreover, Centeno's assertion is inaccurate. He admitted that, in at least one instance, he falsely marked exception reports as reviewed in an attempt to maintain his employment—in which he clearly had a financial interest.

Centeno also asserts that his suspension is excessive as compared to sanctions imposed in various settled matters.⁵³ But it is well-settled that comparisons to sanctions in settled cases are inappropriate, as "pragmatic considerations such as the avoidance of time-and-manpower-consuming adversary proceedings justify imposing lower sanctions in negotiating a settlement." *William Scholander*, Exchange Act Release No. 77492, 2016 SEC LEXIS 1209, at *43 (Mar. 31, 2016) (internal quotation omitted), *aff'd sub nom. Harris v. SEC*, 712 F. App'x 46 (2nd Cir. 2017); *see also Newport Coast Sec., Inc.*, Exchange Act Release No. 88548, 2020 SEC LEXIS 917, at *34 (Apr. 3, 2020) ("We have observed repeatedly that comparisons to sanctions in settled cases are inappropriate.") (internal quotation omitted). Moreover, "the appropriate sanction depends on the facts and circumstances of each particular case and cannot be precisely determined by comparison with the action taken in other proceedings." *Kimberley Springsteen-Abbott*, Exchange Act Release No. 88156, 2020 SEC LEXIS 2684, at *39 (Feb. 7, 2020), *aff'd*, 989 F.3d 4 (D.C. Cir. 2021). For the reasons discussed herein, we conclude that a 12-month suspension and \$10,000 fine are warranted under the facts and circumstances of this case.

⁵³ Centeno cites to various Letters of Acceptance, Waiver, and Consent ("AWCs") in settled FINRA disciplinary cases.

V. Conclusion

Centeno entered false information in firm records to reflect that he performed exception report reviews that he did not actually perform, in violation of FINRA Rule 2010. For this misconduct, we impose a 12-month suspension in all capacities and \$10,000 fine. The 12-month suspension shall begin with the opening of business on December 1, 2025, and end at the close of business on December 1, 2026. We affirm the Hearing Panel's order that Centeno pay \$3,938.19 in hearing costs and order that he pay \$1,502.31 in appeal costs.

On Behalf of the National Adjudicatory Council,

A handwritten signature in black ink, reading "Jennifer Piorko Mitchell". The signature is written in a cursive style with a horizontal line underneath.

Jennifer Piorko Mitchell
Vice President and Deputy Corporate Secretary