

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

D. ALLEN BLANKENSHIP  
(CRD No. 2842335),

Respondent.

Disciplinary Proceeding  
No. 2019064333401

Hearing Officer–LOM

**ORDER GRANTING THE DEPARTMENT OF ENFORCEMENT'S MOTION  
PURSUANT TO FINRA RULE 9285**

**I. Background**

**A. Extended Hearing Panel Decision**

In a decision issued on October 31, 2025 (the “Decision”), pursuant to FINRA Rule 9268,<sup>1</sup> an Extended Hearing Panel concluded that Respondent, D. Allen Blankenship, had violated FINRA rules in multiple ways throughout his roughly three-year tenure with FINRA member firm Independent Financial Group, LLC (“IFG” or the “Firm”).<sup>2</sup> Respondent’s misconduct included unsuitable trading in Class A mutual fund shares in violation of FINRA Rules 2111 and 2010, circumventing the Firm’s supervisory procedures in violation of FINRA Rule 2010, and mismarking trades as unsolicited when they were not in violation of FINRA Rules 4511 and 2010.<sup>3</sup>

The Hearing Panel concluded that Respondent’s misconduct was “pervasive and egregious,”<sup>4</sup> and that his “entire business model was dependent on the misconduct.”<sup>5</sup> The Hearing Panel said, “Respondent has proven himself unfit to be in an industry built on trust and

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<sup>1</sup> *Dep’t of Enforcement v. Blankenship*, No. 2019064333401, 2025 FINRA Discip. LEXIS 23 (OHO Oct. 31, 2025), appeal docketed (NAC Nov. 10, 2025).

<sup>2</sup> *Id.* at \*3.

<sup>3</sup> *Id.* at \*4–6.

<sup>4</sup> *Id.* at \*155.

<sup>5</sup> *Id.*

confidence, and he presents a significant risk to investors.”<sup>6</sup> Based on the nature of the misconduct, numerous aggravating factors, and the Hearing Panel’s finding that Respondent had fabricated documents to use in his defense and then testified falsely at the hearing about them, the Hearing Panel determined that Respondent should be barred from associating with any FINRA member firm in any capacity.<sup>7</sup>

Respondent is currently associated with a different FINRA member firm.<sup>8</sup> The Extended Hearing Panel expressed concern that because Respondent is still in the industry “the investing public is at risk.”<sup>9</sup>

## **B. Appeal and Motion for Conditions and Restrictions**

FINRA Rule 9311(a) authorizes the filing of a notice of appeal within 25 days after service of a decision. Respondent filed a notice of appeal from the decision of the Extended Hearing Panel on November 10, 2025, only ten days after service of the decision. Under FINRA Rule 9311(b), the appeal automatically stayed the sanction.

On November 20, 2025, the Department of Enforcement filed a Motion for Interim Conditions and Restrictions (“Motion”) under FINRA Rule 9285. In the Motion, Enforcement requests that Respondent’s trading in customer accounts be subject to specific conditions and restrictions and that Respondent be required to receive additional continuing education on his obligations when trading in customer accounts. Enforcement argues that the proposed conditions and restrictions are reasonably necessary for the purpose of decreasing the risk of customer harm while the appeal is pending.

Under the applicable FINRA rules, Respondent then had until December 5, 2025, to file any opposition to Enforcement’s Motion. Respondent filed nothing that day or any day since.

For the reasons discussed below, I grant Enforcement’s Motion.<sup>10</sup>

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<sup>6</sup> *Id.* at \*159.

<sup>7</sup> *Id.* at \*155–60.

<sup>8</sup> *Id.* at \*8.

<sup>9</sup> *Id.* at \*159.

<sup>10</sup> If a respondent appeals a Hearing Panel decision, the respondent’s current firm is notified of the appeal pursuant to FINRA Rule 9285(e), and respondent’s current firm is required within ten days to adopt and file a written plan of heightened supervision with FINRA’s Office of General Counsel and to serve that plan on the Department of Enforcement. Under Rule 9285(e), the plan of heightened supervision is not filed with or reviewed by the Office of Hearing Officers. The record does not indicate whether Respondent’s current firm filed a plan of heightened supervision or what might be contained in any such plan.

## II. Application of FINRA Rule 9285

FINRA Rule 9285(a)(1) provides that if a respondent appeals a disciplinary decision issued pursuant to FINRA Rule 9268 and the decision finds (as the Decision in this case did) that the respondent “violated a statute or rule provision,” then Enforcement may move for an order imposing “conditions or restrictions on the activities” of the respondent “that are reasonably necessary for the purpose of preventing customer harm.” Under FINRA Rule 9285(a)(1) and (a)(2), such a motion must be filed with the Office of Hearing Officers within ten days after service of the notice of appeal. FINRA Rule 9138(a) and (b) provides that when a deadline set by FINRA rules is ten days or less, the days are counted as business days, not calendar days. Accordingly, Enforcement had until November 24, 2025, to file its Motion. Enforcement filed its Motion prior to the due date, however, on November 20, 2025. Enforcement’s Motion was timely.

FINRA Rule 9285(a)(3) permits a respondent to file an opposition or other response to a motion to impose conditions or restrictions within ten days after service of the motion. As just noted, under FINRA Rule 9138(a) and (b), Respondent’s opposition was due within ten business days. That worked out to be 15 calendar days because of weekends and the Thanksgiving holiday. Respondent’s filing was due on December 5, 2025. Respondent did not file an opposition that day. Nor has he filed an opposition any day since then.

Notwithstanding the filing of an appeal of the underlying Decision, the Hearing Officer who participated in the underlying disciplinary proceeding retains jurisdiction under Rule 9285(a)(1) to decide a motion for conditions or restrictions and is authorized by Rule 9285(a)(5) “to impose any conditions or restrictions that the Hearing Officer considers reasonably necessary for the purpose of preventing customer harm.” As the Hearing Officer who participated in the underlying disciplinary proceeding, I have jurisdiction.

As discussed below, I have determined to impose the conditions and restrictions Enforcement requests. Under Rule 9285(b)(1), a respondent subject to a Hearing Officer’s order imposing conditions and restrictions may file with the Review Subcommittee of FINRA’s National Adjudicatory Council a motion to modify or remove the conditions and restrictions, and under Rule 9285(b)(6) such a review motion stays the effectiveness of the conditions and restrictions ordered by the Hearing Officer until the Review Subcommittee rules on the motion for review. If no motion for review is filed, then under Rule 9285(d) the conditions and restrictions imposed by a Hearing Officer remain in place until FINRA’s final decision in the underlying disciplinary proceeding takes effect and all appeals are exhausted.<sup>11</sup>

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<sup>11</sup> FINRA also amended Rule 9556 when it adopted Rule 9285. The amendments to Rule 9556 give FINRA staff the authority to bring an expedited proceeding against a respondent who fails to comply with conditions and restrictions imposed pursuant to Rule 9285. *See* FINRA Rule 9556(a)(2).

FINRA Rule 9285 became effective on April 15, 2021.<sup>12</sup> In Regulatory Notice 21-09, FINRA explained that Rule 9285 is intended to enhance investor protection by potentially preventing “associated persons and firms found to have violated a statute or rule from engaging in additional misconduct during the appeal process.”<sup>13</sup> FINRA described the Rule as adding “an interim layer of investor protection” during that period.<sup>14</sup>

The Securities and Exchange Commission (“SEC”) explained in its order approving the adoption of Rule 9285 that interim conditions and restrictions “will lead to greater oversight of disciplined Respondents’ activities during the appeal period, thereby reducing the potential risk of customer harm that may occur during this period.”<sup>15</sup> But the SEC also cautioned in its order that under Rule 9285 a Hearing Officer’s authority is not unlimited. A Hearing Officer should “target the misconduct demonstrated in the disciplinary proceeding” and tailor the conditions and restrictions “to the specific risks posed by the Respondents during the appeal period.”<sup>16</sup> Interim conditions and restrictions “are not intended to be as restrictive as the underlying sanctions and would likely not be economically equivalent to imposing the sanctions during the appeal.”<sup>17</sup>

### **III. Discussion**

#### **A. The Decision**

The Extended Hearing Panel found that Enforcement proved the violations alleged in three causes of action.

##### **1. Unsuitable Trading**

Although Class A shares carry a high up-front sales charge of 5% or more and are designed for long-term holding (in the range of five years),<sup>18</sup> Respondent sold shares out of customer accounts that had been held a year or less.<sup>19</sup> Such trading gives rise to a presumption of unsuitable short-term mutual fund trading<sup>20</sup> that Respondent did not rebut.<sup>21</sup> The evidence also

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<sup>12</sup> FINRA Regulatory Notice 21-09 (Mar. 2021), <https://www.finra.org/rules-guidance/notices/21-09>.

<sup>13</sup> FINRA Regulatory Notice 21-09, at 3.

<sup>14</sup> FINRA Regulatory Notice 21-09, at 3.

<sup>15</sup> SR-FINRA-2020-011, Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Address Brokers With a Significant History of Misconduct, Exchange Act Release No. 34-90635, 2020 SEC LEXIS 5168, at \*13, (Dec. 10, 2020).

<sup>16</sup> SR-FINRA-2020-011, 2020 SEC LEXIS 5168, at \*5.

<sup>17</sup> *Id.*

<sup>18</sup> *Blankenship*, 2025 FINRA Discip. LEXIS 23, at \*4, 8–10.

<sup>19</sup> *Id.* at \*33–34.

<sup>20</sup> *See, e.g., Dep’t of Enforcement v. Mehringer*, No. 2014041868001, 2020 FINRA Discip. LEXIS 27, at \*8–9 (NAC June 15, 2020).

<sup>21</sup> *Blankenship*, 2025 FINRA Discip. LEXIS 23, at \*33–34, 39, 117–22.

showed that Respondent engaged in additional short-term trading when he sold numerous Class A shares in less than two or three years without adequate justification.<sup>22</sup> Respondent's short-term trading was even more obviously unsuitable when, during the three years he was at IFG, he occasionally bought, sold, and bought again Class A shares in the same fund.<sup>23</sup> He thereby doubled the already high front-end sales load for the same shares and increased his compensation.<sup>24</sup>

Respondent engaged in a practice known as "switching," in which he would sell shares in one fund and use the proceeds to buy a fund in another fund family.<sup>25</sup> By switching, Respondent caused the customer to repeatedly incur high sales charges to stay in the market.<sup>26</sup> If there were a valid reason to switch from one fund to another, Respondent could have instead exchanged funds within the same fund family and the exchange could have been done free of charge.<sup>27</sup> Respondent sometimes even charged a fee, however, for switching between funds in the same fund family.<sup>28</sup>

Respondent also routinely purchased the same mutual fund on consecutive business days in increments below \$20,000, which caused customers to miss out on "breakpoints," a type of volume discount.<sup>29</sup> The suitability obligation includes the obligation to minimize the sales charge imposed on mutual fund transactions.<sup>30</sup> IFG specifically required its registered representatives to discuss breakpoints with customers when they were available.<sup>31</sup> The Extended Hearing Panel found no evidence of Blankenship having meaningful discussions about breakpoints with his customers.<sup>32</sup>

The overall result of all these activities was that customers paid more than they should have for their investments, and Respondent received more in compensation than he should have. Such a pattern of trading is unsuitable for any investor and violated FINRA Rules 2111 and 2010.

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<sup>22</sup> *Id.* at \*34 & n.177.

<sup>23</sup> *Id.* at \*52, 75–76.

<sup>24</sup> *Id.* at \*75–76.

<sup>25</sup> *Id.* at \*34–35, 117–21.

<sup>26</sup> *See, e.g., Russell L. Irish*, Exchange Act Release No. 7687, 1965 SEC LEXIS 241, at \*10–11 (Aug. 27, 1965).

<sup>27</sup> *Blankenship*, 2025 FINRA Discip. LEXIS 23, at \*43–44 & n. 223.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at \*35–38, 40–85.

<sup>30</sup> *Dep't of Enforcement v. Sathianathan*, No. C9B030076, 2006 NASD Discip. LEXIS 3, at \*31 (NAC Feb. 21, 2006), *aff'd*, Exchange Act Release No. 54722, 2006 SEC LEXIS 2572 (Nov. 8, 2006), *petition for review denied*, 304 F. App'x 883 (D.C. Cir. 2008).

<sup>31</sup> *Id.* at \*17.

<sup>32</sup> *Blankenship*, 2025 FINRA Discip. LEXIS 23, at \*26 n.121, 53–58, 62–65, 65–69, 69–74, 77–84, 86–98.

## **2. Circumventing the Firm's Supervisory Procedures**

Respondent circumvented his Firm's supervisory procedures by breaking up almost all his mutual fund purchases (96%) into multiple consecutive transactions of less than \$20,000 each.<sup>33</sup> The Firm's automated system for flagging mutual fund transactions for review was not triggered by purchases below \$20,000.<sup>34</sup> In addition, Respondent failed to complete and submit to the Firm for review and approval a form the Firm required him to use to ensure that customers received appropriate disclosures and pricing on their transactions.<sup>35</sup> This conduct is unethical and violated FINRA Rule 2010.

## **3. Mismarking Transactions as Unsolicited**

Respondent had no credible explanation for the way he routinely marked an initial transaction solicited and then marked a follow-up transaction in the same mutual fund the next business day as unsolicited.<sup>36</sup> By marking transactions as unsolicited when they were not, Respondent caused his Firm's books and records to be false and inaccurate and violated FINRA Rules 4511 and 2010.

### **B. Enforcement's Proposed Conditions and Restrictions**

Enforcement urges that the Hearing Officer enter an order imposing certain conditions and restrictions on Respondent's conduct of his business trading Class A mutual fund shares, which are set forth below. These proposed conditions and restrictions would allow Respondent to continue trading Class A mutual fund shares in customer accounts during the pendency of his appeal of the Decision, but, Enforcement asserts, the conditions and restrictions would add an extra layer of protection against the types of misconduct discussed in the Decision.

- Respondent shall not maintain his registration with a FINRA member firm unless the firm establishes a process for review of his securities transactions and book of accounts. A principal shall review each securities transaction within three days of the trade to assess the reasonable basis for the trade, including whether it involved short-term trading of Class A mutual fund shares, switching Class A mutual fund shares between different fund families, or the failure to apply available breakpoint discounts. A principal shall review Respondent's book of accounts at least monthly to examine whether a recommended transaction is part of an investment strategy that is in the best interest of the customer. A record shall be created and kept of both types of review reflecting the principal's conclusions.

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<sup>33</sup> *Blankenship*, 2025 FINRA Discip. LEXIS 23, at \*36–37, 40–84.

<sup>34</sup> *Id.* at \*27–28, 36–37.

<sup>35</sup> *Id.* at \*19–25.

<sup>36</sup> *Id.* at \*38–39.

- Respondent shall not maintain his registration with a FINRA member firm unless the firm establishes a process for a principal to obtain direct confirmation from any customer of Respondent who makes an unsolicited trade within three days of entry of that trade. If a customer cannot be reached by one means, an alternative means must be attempted. Efforts to contact customers shall be recorded. If a customer does not confirm that a trade was unsolicited, the customer shall have the option of keeping or breaking the trade.
- Within two months of the date of this Rule 9285 Order, Respondent shall complete ten hours of continuing education regarding suitability, Regulation Best Interest, and trading in mutual fund shares. The continuing education must be provided by a continuing education provider not unacceptable to FINRA. Within 30 days of completing this continuing education requirement, Respondent shall certify his completion in writing to Enforcement.

Enforcement argues that the proposed conditions are tailored to address the specific risks posed by Respondent to his current and future customers. It also asserts that the proposed conditions are not nearly as restrictive or economically damaging as the sanction the Extended Hearing Panel Ordered—a bar from associating with any FINRA member in any capacity. Finally, Enforcement notes that continuing education is often required by a Rule 9285 Order to assist a respondent to better understand his obligations and correct his conduct in the future.

### **C. Conclusion**

I conclude that Enforcement’s proposed conditions and restrictions are both reasonable and necessary. All the proposed conditions and restrictions are narrowly targeted to the misconduct found in the underlying disciplinary proceeding. Given the pervasive nature of Respondent’s misconduct and his flagrant disregard for his customers’ interests, the proposed conditions and restrictions are critical to reducing the risk of customer harm during the pendency of the appeal. The proposed conditions and restrictions are not as restrictive as the sanction imposed by the Decision—a bar from associating with any FINRA member firm in any capacity—and they will have less economic impact.

The proposed requirement that a principal regularly and promptly review each of Respondent’s trades in customer accounts and look at his book of accounts every month ensures that Respondent will be subject to supervision. He evaded supervision during the period covered by the Decision, which enabled him to engage in unsuitable trading at will.

The proposed requirement that a principal verify with the customer every unsolicited trade Respondent makes will prevent Respondent from mismarking trades the way he did during the period covered by the Decision.

The proposed continuing education requirement is focused on activities central to Respondent’s unsuitable trading and evasion of his firm’s supervisory policies and procedures. It

will both refresh Respondent's understanding of the requirements and update him on the changes from FINRA Rule 2111, which applied during the period covered by the Decision, to the currently applicable Regulation Best Interest promulgated by the SEC. Enforcement is correct that continuing education is often required in an Order granting a Rule 9285 motion.<sup>37</sup>

#### IV. Order

For the reasons discussed above, I **GRANT** Enforcement's Motion pursuant to FINRA Rule 9285 and impose the following interim conditions and restrictions, which shall be in effect until FINRA's final decision takes effect and all appeals are exhausted:

- Respondent shall not maintain his registration with a FINRA member firm *unless* the firm establishes a process for review of his securities transactions and book of accounts. A principal shall review each securities transaction within three business days of the trade to assess the reasonable basis for the trade, including whether it involved short-term trading of Class A mutual fund shares, switching Class A mutual fund shares between different fund families, or the failure to apply available breakpoint discounts. A principal shall review Respondent's book of accounts at least monthly to examine whether a recommended transaction is part of an investment strategy that is in the best interest of the customer. A record shall be created and kept of both types of review that reflects the reviewing principal's conclusions.
- Respondent shall not maintain his registration with a FINRA member firm *unless* the firm establishes a process for a principal to obtain direct confirmation from any customer of Respondent who makes an unsolicited trade within three business days of entry of that trade. If a customer cannot be reached by one means, an alternative means must be attempted. Efforts to contact customers shall be recorded. If a customer does not confirm that a trade was unsolicited, the customer shall have the option of keeping or breaking the trade.
- Within two months of the date of this Rule 9285 Order, Respondent shall complete ten hours of continuing education regarding suitability, Regulation Best Interest, and trading in mutual fund shares. The continuing education must be provided by a continuing education provider not unacceptable to FINRA. Within 30 days after completing this continuing education, Respondent shall certify to the Department of Enforcement that he has completed it.

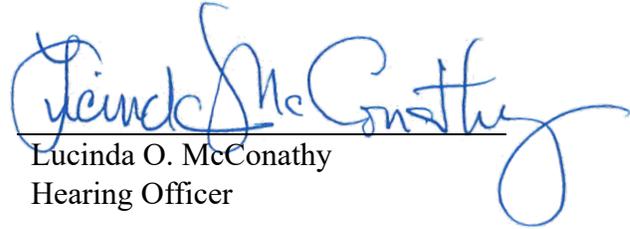
This Order is in effect from the date that it is issued until FINRA's final decision in the underlying disciplinary proceeding takes effect and all appeals are exhausted. If the parties have

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<sup>37</sup> Cf. OHO Order 24-12 (2021070337501) (May 20, 2024) at 4, [https://www.finra.org/sites/default/files/2024-06/OHO\\_Order\\_24-12\\_Venturino\\_2021070337501.pdf](https://www.finra.org/sites/default/files/2024-06/OHO_Order_24-12_Venturino_2021070337501.pdf); OHO Order 23-20 (2019061528001) (June 12, 2023) at 11, 13, [https://www.finra.org/sites/default/files/2023-09/oho\\_order\\_23-20\\_2019061528001\\_spartan.pdf](https://www.finra.org/sites/default/files/2023-09/oho_order_23-20_2019061528001_spartan.pdf).

any questions about this Order, they should contact Case Administrator Jennifer Rodkey, at 202-728-8898 or Jennifer.Rodkey@finra.org.

**SO ORDERED.**

  
Lucinda O. McConathy  
Hearing Officer

Dated: December 11, 2025

Copies to:

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