

BEFORE THE NATIONAL ADJUDICATORY COUNCIL  
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of  
Department of Enforcement,

Complainant,

vs.

Michael Venturino  
Dix Hills, NY,

Respondent.

DECISION

Complaint No. 2021070337501

Dated: April 7, 2026

**Registered representative traded in customer accounts without authorization and excessively traded and churned those accounts. Held, findings affirmed, and sanctions modified.**

**Appearances**

For the Complainant: Loyd Gattis, Esq., John Luburic, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: Liam O'Brien, Esq.

**Decision**

Michael Venturino appeals a March 21, 2024, Extended Hearing Panel decision. The Hearing Panel found that Venturino traded in the accounts of customers without authorization, and excessively traded and churned those accounts, in violation of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act and FINRA rules. For this misconduct, the Hearing Panel imposed two, separate bars preventing Venturino from associating with any FINRA member in any capacity, and it ordered that he disgorge \$171,419 in ill-gotten gains. After reviewing the record, we affirm the Hearing Panel's findings. We also affirm the bars that it imposed but modify its disgorgement order.

I. Procedural Background

This disciplinary proceeding stems from a 2016 FINRA examination of member Aegis Capital Corp. (“Aegis”) and a subsequent investigation into elevated levels of trading in customer accounts by registered representatives of the firm, including Venturino.

The Department of Enforcement (“Enforcement”) filed a three-cause complaint that commenced disciplinary proceedings against Venturino on August 22, 2022. Enforcement alleged that, from July 2014 to June 2017, while a registered representative of Aegis, Venturino: 1) traded 12 accounts belonging to 11 Aegis customers without authorization, in violation of FINRA Rule 2010; 2) excessively traded the 12 accounts, in violation of FINRA Rules 2111 and 2010; and 3) churned the 12 accounts, in willful violation of Exchange Act Section 10(b), Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010.

Venturino denied that he engaged in the alleged misconduct and requested a hearing. The Hearing Panel held a five-day hearing at which five of the 11 Aegis customers whose accounts were the focus of Enforcement’s complaint testified.

On March 21, 2024, the Hearing Panel issued its decision. The Hearing Panel found that Venturino violated the securities laws and rules as alleged in the complaint, but only with respect to six accounts belonging to four of the Aegis customers who testified at the hearing. The Hearing Panel concluded that there was insufficient evidence to support Enforcement’s claims concerning the accounts of the seven other Aegis customers, including the six customers who did not testify at the hearing.

The Hearing Panel barred Venturino from associating with any FINRA member in any capacity for his unauthorized trading of the six Aegis customer accounts on which it based its findings of liability. The Hearing Panel separately barred Venturino for his excessive trading and churning of those accounts. The Hearing Panel further ordered Venturino to disgorge \$171,419 in ill-gotten gains, and to pay interest on this amount.

Venturino timely appealed the Hearing Panel’s decision. He is the subject of an interim order imposing conditions and restrictions under FINRA Rule 9285 until FINRA’s final decision in this matter takes effect.

## II. Facts

### A. Venturino's Experience in the Securities Industry

Venturino first associated with a FINRA member in 2010. He was registered as a general securities representative of Aegis from June 2014 to June 2017. He has not associated with a FINRA member since January 2023.

### B. Venturino's Securities Business at Aegis

Venturino was the representative for 250 to 300 Aegis customer accounts, and those accounts held assets of between \$5 million and \$6 million.<sup>1</sup> He did not meet with customers in-person but instead communicated with them by phone.<sup>2</sup>

In 2017, during the FINRA investigation that led to this disciplinary proceeding, Venturino testified that he conducted his Aegis-related business using the phone provided at his assigned cubicle in the Melville, New York branch office where he worked, and he “assumed” that he solicited or received all customer orders from that phone’s extension.<sup>3</sup> Shortly after he provided this testimony, in a written response to a staff request for information issued under FINRA Rule 8210, Venturino stated that his “general practice with respect to soliciting or accepting securities orders was to use the phone number issued/controlled by Aegis Capital Corp. and he does not recall any specific instance otherwise during the relevant period.”

Venturino did not receive a salary or bonuses from Aegis. His compensation was instead determined by the markups, markdowns, commissions, and other sales credits Aegis charged for executing customer securities transactions. Aegis gave Venturino the discretion to determine the structure of the securities transactions that he executed for customers, subject to an Aegis-imposed compensation limit of “five percent roundtrip.” He ordinarily purchased securities for customers on a riskless principal basis, in which case Aegis imposed a markup on the securities, but sold customers securities on an agency basis, in which case Aegis imposed a trade commission.<sup>4</sup> Aegis paid Venturino 75 percent of the markups, markdowns, commissions, and

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<sup>1</sup> The total number of accounts for which Venturino served as the account representative includes accounts that he represented jointly with other Aegis representatives.

<sup>2</sup> Venturino testified that he obtained new customers by each day cold calling 100 or more persons nationwide by phone.

<sup>3</sup> Venturino testified that he used his cell phone to conduct Aegis-related business “from time to time,” but that he did not use it to solicit or take customer orders.

<sup>4</sup> In a “riskless principal” transaction, a broker-dealer receives a customer order and creates an order for its proprietary account that it sends to an exchange or other marketplace for execution. *Edward Beyn*, Exchange Act Release No. 97325, 2023 SEC LEXIS 980, at \*5 n.11 (Apr. 19, 2023). Once this execution occurs, the broker-dealer executes the customer order against its proprietary account, charging the customer a “markup” for buy transactions—a higher

[Footnote continued on next page]

other sales credits that Aegis charged for the securities transactions that he executed for customers.<sup>5</sup>

C. Venturino's Financial Standing

Venturino accumulated \$350,000 in unpaid federal tax debts from 2011 to 2016. During this period, he also accumulated \$70,000 in unpaid taxes owed to the State of New York. Beginning in 2015, Venturino entered repayment plans that required him to pay a total of \$3,700 monthly to satisfy these obligations.

Venturino estimated that his annual earnings from the securities business he conducted on behalf of Aegis customers was between \$200,000 and \$250,000 in both 2015 and 2016. In 2017, those earnings dropped to less than \$100,000. On January 4, 2019, Venturino voluntarily filed for protection under Chapter 7 of the federal bankruptcy laws. The bankruptcy court discharged his petition on April 10, 2019.

D. The Relevant Customers and Venturino's Trading in Their Accounts

The Hearing Panel found that Venturino traded without authorization, and excessively traded and churned, six accounts belonging to four Aegis customers—JF, CB, DF, and JO. The facts concerning each of these customers, and Venturino's trading in their Aegis accounts, are as follows.<sup>6</sup>

1. Customer JF

JF was born in 1959 and is high school educated. He is the president and co-owner of a family-owned glass business that employs 14 people. He is responsible for scheduling, facilities

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price per share than it paid—and a “markdown” for sell transactions—a lower price per share than it received. *Id.* Venturino did not explain why he ordinarily purchased securities for customers on a riskless principal basis, charging the customer a markup, but sold those securities on an agency basis, charging a commission. He testified “that is just how I was taught how to do it,” and “it is easier [for the customer] to read their all in cost and know their all in cost with the markup, markdown cost than it is for them to do the math in an agency trade.”

<sup>5</sup> For an account that he represented jointly with another Aegis account representative, Venturino and the other representative split this payout.

<sup>6</sup> As we note above, the Hearing Panel found that Venturino traded without authorization, and excessively traded and churned, six accounts belonging to four Aegis customers. Because Enforcement did not cross-appeal any element of the Hearing Panel's decision, we do not revisit the Hearing Panel's findings that there was insufficient evidence to establish Venturino's liability for misconduct as to the accounts of seven other customers. *See* FINRA Rule 9311(e).

maintenance, and vehicle maintenance.<sup>7</sup> JF's only prior experience with investing was through his company's retirement fund, and he relied on the recommendations of a representative of that fund for his investment decisions.

Venturino cold-called JF in early 2015.<sup>8</sup> After speaking to Venturino, who said he was "going to make [JF] lots of money," JF opened an individual Aegis account in April 2015, for which Venturino was the designated account representative.<sup>9</sup> JF told Venturino that he wanted to "start small" with a modest investment to get "the [Aegis] account started," but he acknowledges that he told Venturino that he wanted to "be aggressive" with the account. When JF opened his Aegis account, Venturino did not discuss with him any specific investment strategies or the charges JF would incur for the securities transactions that Venturino executed for his Aegis account.<sup>10</sup>

JF reviewed his Aegis account application documents before he signed them.<sup>11</sup> These documents showed that JF's annual income was between \$100,000 and \$199,999, and his net worth was between \$1,000,000 and \$2,999,999. The documents further showed an investment objective of "speculation" and a risk tolerance of "maximum risk."<sup>12</sup> The documents specified that JF had an "investment time horizon" of nine to 11 years.

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<sup>7</sup> The co-owner and a bookkeeper of JF's business are responsible for maintaining its accounts and records.

<sup>8</sup> JF never met Venturino in person.

<sup>9</sup> Venturino was a joint account representative on the account until October 2015, at which point he became the account's sole representative. JF never spoke to the other account representative.

<sup>10</sup> JF testified that Venturino never explained to him the terms "riskless principal," "markup," or "markdown," nor did Venturino disclose the commissions that JF would pay for trades made on agency basis in his Aegis account. JF understood that there would be costs for trading securities in his account, but not how much. He also recognized that he could lose money, but he accepted Venturino's frequent representations that he "[was] going to make a lot of money."

<sup>11</sup> JF executed a margin agreement for the account, which he did not read, because Venturino told him it was necessary only to "proceed doing business." JF had no experience trading securities on margin. Venturino never discussed with JF, and JF had no understanding of, the benefits, risks, or costs associated with margin trading. JF recalled receiving margin call letters for his Aegis account, which he testified sounded "threatening," and in response to those letters, he deposited additional funds in his account to "salvage" his investment.

<sup>12</sup> JF didn't know what these terms meant "exactly," but he understood "speculation" meant "higher risk" and that "maximum risk" meant there was a "higher percentage" chance of the account losing money, although he expected, based on Venturino's representations to him, that the chances of losing money were "fairly low."

Venturino solicited by phone all the securities transactions that he executed in JF's Aegis account. JF testified that he knew nothing about the stock market and expected Venturino "to work in [his] best interest because one, [he] didn't know anything about it and two, [he] didn't certainly like to deal in it." JF therefore did not personally research any securities but instead relied "100 percent" on Venturino's recommendations, which JF universally accepted, for his securities trading.<sup>13</sup> JF never granted Venturino discretion to execute securities trades on his behalf without Venturino first consulting him.

Venturino executed 31 securities transactions in JF's Aegis account from April 2015 to March 2016, with Venturino purchasing and selling the same securities multiple times during this period. Although the average monthly equity in JF's Aegis account during this period was only \$6,760, the total principal value of the securities bought and sold for the account exceeded \$490,000. These securities transactions resulted in JF's account having an annualized cost-to-equity ratio of 150.12 percent and a turnover rate of 38.13.<sup>14</sup> The 31 securities transactions that Venturino executed in JF's account resulted in losses totaling \$22,723, including total trade costs of \$10,146 comprising, among other sales charges, markups or markdowns of \$7,498 and commissions of \$895.<sup>15</sup>

JF's Aegis account revealed "in-and-out" trading."<sup>16</sup> For example, from October 16, 2015, to November 24, 2015, Venturino purchased and then sold six securities through 14 transactions made in JF's account, holding most of the securities purchased for only one to three

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<sup>13</sup> JF testified that he left all decisions concerning the specific securities transactions made in his Aegis account, including the timing and size of such transactions, to Venturino.

<sup>14</sup> "The cost-to-equity ratio is the amount an account would have to appreciate annually to break even given the costs of trading; the turnover rate is the number of times in one year that a portfolio of securities is exchanged for another portfolio." *Beyn*, 2023 SEC LEXIS 980, at \*7.

<sup>15</sup> JF did not review closely the trade confirmations and account statements that Aegis sent him. Aegis account statements showed only the "net cost" for a securities transaction, and Aegis trade confirmations showed only the "Markup/Markdown Per Share" imposed for a transaction executed on a riskless principal basis. JF testified that he "didn't understand how the markup worked," and he could not determine if he was "losing money, [or] . . . making money" from the Aegis trade confirmations that he received.

<sup>16</sup> "The term 'in and out' trading denotes the sale of all or part of a customer's portfolio, with the money reinvested in other securities, followed by the sale of the newly acquired securities." *Costello v. Oppenheimer & Co.*, 711 F.2d 1361, 1369 n.9 (7th Cir. 1983); accord *Rafael Pinchas*, 54 S.E.C. 331, 338-39 & n.12 (1999) ("Pinchas disregarded [customers'] interests and engaged in aggressive 'in and out' trading, repeatedly purchasing stocks and then selling them after relatively short holding periods.").

days before selling them.<sup>17</sup> All but one of these transactions resulted in a loss, and they cost JF more than \$6,300 in total trade costs, mostly in the form of markups or markdowns.<sup>18</sup>

JF recalled Venturino calling him a “couple times a month,” usually on Friday afternoons. Aegis-produced phone records show that eight of the 31 transactions that Venturino executed for JF’s Aegis account during the relevant period were not preceded by a call between JF and Venturino at Venturino’s Aegis-assigned phone extension either the day of or day before the transaction. At the hearing, JF testified that he did not believe that Venturino ever discussed several of these eight transactions with him because the transaction details, e.g., selling a stock for a loss shortly after purchasing the stock, were such that he would have remembered them, but he did not.<sup>19</sup>

JF did not close his Aegis account. Rather, he testified, the account “ran out of money and evaporated” because of the securities transactions that Venturino executed in his account. He did not understand the amount he paid in trade costs while Venturino traded his Aegis account, nor did he understand the investment returns needed to pay for those costs.<sup>20</sup> Venturino told JF that, despite the account losing money, “there was [always] something better to be had,” and “it was always going to be all right.”

## 2. Customer CB

CB was born in 1950 and is college educated. He is a realtor and property manager who has owned a real estate firm for more than 30 years. Before he opened his Aegis account, CB’s self-described experience investing in securities was “pretty limited.” CB had other investment accounts, including an IRA account, through which, relying on the advice of a “fiduciary,” he invested in securities and life insurance. But CB had never invested “on [his] own,” relying instead on financial advisors for investment recommendations, which were for long-term investments.<sup>21</sup>

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<sup>17</sup> Venturino executed 14 securities transactions on a round-trip basis in JF’s account during the relevant period, with nearly 80 percent of the securities purchased held for 30 days or less and more than 15 percent of them held for only one day or less.

<sup>18</sup> JF recalled receiving and signing an “active trading letter” from Aegis disclosing that short-term trading in his account could lead to higher transaction costs and the loss of principal, but he discounted its disclaimers because Venturino told him, “[W]e are going to make a lot of money.”

<sup>19</sup> JF nevertheless did not recall Venturino making any specific transactions without JF’s authorization.

<sup>20</sup> JF testified that he simply did not “understand where that money went.”

<sup>21</sup> CB testified that he registered as a securities broker “many years ago” for the purpose of making a single REIT investment. He held this registration for only one year.

Venturino cold-called CB in 2014 to ask if CB was interested in investing. Venturino claimed that he was with “a successful firm in New York” and “[had] some good things [he wanted] to talk to [CB] about.” Venturino and CB spoke a couple of times before CB opened an individual Aegis account, in August 2014, for which Venturino was designated as the account’s sole representative.

The account application documents for CB’s Aegis account, which he testified were accurate, stated that his annual income was between \$100,000 and \$199,999, and his net worth was between \$1,000,000 and \$2,999,999.<sup>22</sup> The documents further specified that CB’s investment objective was “aggressive growth/aggressive income,” and his risk tolerance was “high risk.” CB testified that he wanted the account to “make some long term investments that would be something that I could keep,” including “stocks that would pay some dividend and had a good projection for growing and increasing in value.” CB also testified that Venturino told him that he would need to select a risk tolerance of “high risk” so that he would “qualify” for different securities investments that Venturino planned to recommend, including “new IPOs.”<sup>23</sup> Venturino did not disclose to CB the costs that he would incur for the securities transactions that Venturino executed for his Aegis account.<sup>24</sup>

Venturino ordinarily called CB about twice a month, but on occasions, Venturino would call CB multiple times in an abbreviated period.<sup>25</sup> CB did not do any investment research of his own. He instead “depended” on Venturino to get him “the data” necessary to invest because his occupation did not give him the time to collect that information himself. CB therefore relied “heavily” on Venturino’s recommendations, i.e., “95 to 100 percent” of the time, including his “recommendations on how many shares to buy and what to buy.” CB did not grant Venturino discretionary authority to trade in his Aegis account without Venturino first discussing the trades with CB.

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<sup>22</sup> Venturino told CB that opening a margin account was a requirement. CB agreed to open a margin account because Venturino told him it would be advantageous for “the types of securities we were talking about,” but “[Venturino] didn’t plan to utilize it very often.” CB had never had a margin account, and he did not “fully understand what a margin account was,” but he understood there was “some risk.” CB recalled receiving margin call letters and sending Aegis funds to cover margin calls. CB discussed the letters with Venturino, but CB “didn’t really want to get into margins.” CB therefore told Venturino, “[he] didn’t want to do it anymore.”

<sup>23</sup> The account application documents indicated that CB’s “investment time horizon” was nine to 11 years. CB testified that he considers his risk tolerance “moderate,” and in retrospect, he should have checked the “moderate risk” box on his account application as well. “I guess [that Venturino] instructed me that I needed to check one,” CB stated, “and I did.”

<sup>24</sup> Venturino did not disclose that he would be executing some transactions on a “riskless principal” basis, charging CB a “markup” or a “markdown,” and others on an agency basis. CB thought Venturino was “getting . . . a commission on the purchase and that [was] it.”

<sup>25</sup> CB “rarely” called Venturino: Venturino instead initiated “most all of the calls [they] had.”

Venturino's recommendations consisted of providing CB "basically a description of the company profile, operation profile and tell[ing] [CB] why he thought that was going to be a quick gain or you know, a long, [] growth stock."<sup>26</sup> Venturino never discussed with CB the costs associated with the securities transactions that Venturino recommended, or the returns needed to recoup a particular transaction's costs.

From August 2014 to May 2017, a 34-month period, Venturino executed 195 securities transactions in CB's Aegis account, 192 of which he marked as solicited. As he did with his trading in the account of JF, Venturino traded the same securities multiple times in CB's account. The average monthly equity in CB's account during this period was \$31,485, but the total principal value of the securities bought and sold for the account exceeded \$7,000,000. The 195 securities transactions that Venturino executed during the relevant period caused CB's account to have an annualized cost-to-equity ratio of 95.35 percent and a turnover rate of 40.56. The transactions, for which CB paid total trade costs of \$85,060, including \$62,278 in markups or markdowns and commissions of \$10,141, caused CB losses totaling \$144,103.<sup>27</sup>

CB's Aegis account also demonstrated in-and-out trading.<sup>28</sup> For example, from November 5, to November 26, 2014, Venturino purchased and sold two securities in six transactions for CB's account, purchasing and selling one of those securities twice during that period, and selling the other for a loss within one day of its purchase.<sup>29</sup> The six transactions caused CB to incur more than \$3,700 in total trade costs, including markups, markdowns, and commissions greater than \$3,400.<sup>30</sup>

Aegis-produced phone records indicate that Venturino executed 76 transactions in CB's Aegis account during the relevant period that were not preceded by a call between CB and

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<sup>26</sup> CB testified that he knew "[a]lmost none" of the companies whose securities Venturino recommended. For his part, CB gave Venturino the names of "two, maybe three" companies in which he was interested in investing.

<sup>27</sup> CB recalled receiving "some" trade confirmations from Aegis, and he testified that "most of the time I would get it, look at it and put it in the folder." CB did not attempt to "add up all of the costs of trading in [his] account," and he had no understanding what those costs were. When he later discovered what they totaled, he found the figure "shocking."

<sup>28</sup> Venturino executed transactions in CB's account 83 times on a round-trip basis during the relevant period. The account held more than 85 percent of the securities purchased 30 days or less and nearly 55 percent of them for only one day or less.

<sup>29</sup> When Venturino purchased the first security a second time, he bought the security at more than \$2 per share more than he sold it for a day earlier.

<sup>30</sup> CB recalled receiving "two or three" "active trading letters" from Aegis, some of which he signed and returned to the firm.

Venturino at Venturino's Aegis-assigned phone extension either the day of or the day before the transaction. CB did not recall authorizing Venturino to place some of these trades.<sup>31</sup> For example, one securities transaction discussed during CB's testimony involved the purchase of a single security for \$122,000. CB testified that "[he] would not have put that much money in one security, one account, one play or you know, one investment." CB stated that he would remember an investment of more than \$25,000 or \$30,000. CB also did not recall the sale of a security for a loss of \$3,165 days after he purchased the security with a \$1,550 markup. CB testified that he would remember if he had spoken to Venturino and agreed to the sale of a security for a loss so soon after the security's purchase.<sup>32</sup> When questioned on cross-examination by Venturino's counsel at the hearing, CB testified that there were "large, you know, long gaps" of time during which "[he] would not hear from [Venturino]." After considering the number of trades that Venturino executed for his account, CB testified that "[he] didn't have that number of conversation[s] with [Venturino]." CB was resolute: "[W]e didn't communicate on some of those transactions that [Venturino] made."<sup>33</sup>

### 3. Customer DF

DF is high school educated and, for more than 30 years, has owned and operated a restaurant supply company that employs nine people. Venturino, who DF has never met in person, cold-called him in 2014. Prior to speaking with Venturino, DF possessed a "a little bit of knowledge" about investing in securities. He had securities brokerage accounts before, but he could remember little about them other than that they "didn't get the return" he expected.<sup>34</sup>

After multiple conversations, Venturino earned DF's "confidence," and in July 2014, DF agreed to open an individual Aegis account because Venturino was "interested in helping [DF] make money."<sup>35</sup> Venturino did not discuss with DF, and DF testified that he had no

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<sup>31</sup> CB "kept a file on [his] conversations with [Venturino] to some degree," "mak[ing] quick notes because they were short conversations." When CB was near closing his account, and "looking back at the summary of what happened," there were transactions involving securities that he had "never heard of" or for which he "didn't have anything in [his] notes or [his] file."

<sup>32</sup> There is a record of a call between CB and Venturino's Aegis-assigned telephone extension preceding this purchase of a security but not the sale.

<sup>33</sup> CB's testimony is consistent with the Aegis-produced records of the calls to and from Venturino's assigned phone extension. Those records show that there were periods lasting several weeks during which Venturino executed transactions for CB's account, but for which there is no evidence of a call to or from Venturino's extension before the transactions were made.

<sup>34</sup> DF relied on the recommendations of securities brokers to make investments in these accounts.

<sup>35</sup> Venturino was a joint account representative for DF's account for most of its time. DF, however, spoke only with Venturino, never with the account's other representative, who DF testified he did not know.

understanding of, the costs that he would incur for the securities transactions that Venturino planned to execute for his Aegis account.<sup>36</sup>

DF acknowledged signing the account application documents for his Aegis account, but he did not recall reviewing them “closely.”<sup>37</sup> He testified that the documents accurately reflected his annual income was between \$100,000 and \$249,999, but he did not agree with the estimate of his net worth, which was \$3,000,000 or more, or that his investment objective was “speculative,” and risk tolerance was “maximum risk.”<sup>38</sup> DF nevertheless spoke with Venturino about his investment objective and risk tolerance, and he characterized his investment objective as “hoping to get somewhere between 10 and 20 percent return on my investment” and investment risk as “moderate.” The “investment time horizon” specified in DF’s account opening documents was nine to 11 years.

Venturino called DF two or three times a week. Venturino was DF’s sole source of “financial information” for his Aegis account. DF did not conduct his own investment research or suggest any investment ideas to Venturino. DF “trusted” Venturino and considered him a “friend.” “[I]f [Venturino] said [an investment] was good, that is the direction [DF] went.” In this respect, DF testified that he relied on Venturino “absolutely” or “100” percent for investment advice.<sup>39</sup> Venturino recommended what securities to buy or sell for DF’s Aegis account, when to buy or sell those securities, and in what amounts. When asked who was responsible for the trades made for his Aegis account, DF replied, “[Venturino] would have made the trades,” and Venturino was “responsible . . . for the decision to buy or sell a security.” DF did not, however, grant Venturino authority to execute securities transactions without Venturino contacting him first.

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<sup>36</sup> DF testified that he had no knowledge of the terms “markups” or “markdowns,” “riskless principal trade,” or “agency trade.”

<sup>37</sup> DF executed a margin agreement with his Aegis account, which DF testified was Venturino’s idea. DF, who had not before used margin to trade securities, was not aware how margin worked, and Venturino did not discuss with him the costs or risks of trading on margin. DF nevertheless understood that margin allowed you to “invest more money than you really have in the account.” In his words, margin meant “bigger risk for a bigger win supposedly.” Aegis sent DF 23 margin call letters during the relevant period, but DF did not recall any of the letters specifically or discussing their contents with Venturino.

<sup>38</sup> This investment objective and risk tolerance were consistent with the information in the account opening documents for DF’s other securities brokerage accounts.

<sup>39</sup> DF nevertheless testified that there were “more than likely” instances when he rejected Venturino’s recommendations because he would “have to come up with \$25,000 to do this and maybe [he] didn’t have it at the time.”

Venturino executed 113 securities transactions in DF's Aegis account from July 2014 to January 2016, all but two of which Venturino marked as solicited.<sup>40</sup> Venturino also purchased and sold the same securities multiple times during the relevant period. The average monthly equity in DF's account during this period was \$23,849, and the total principal value of the securities bought and sold for the account totaled \$4,047,185. The account's annualized cost-to-equity ratio was 164.75 percent, and the turnover rate was 54.85. The account suffered total losses of \$91,968, with trade costs totaling \$62,210, including markups or markdowns of \$48,429 and commissions of \$6,666.<sup>41</sup>

DF's account exhibited in-and-out trading, with Venturino purchasing securities, holding them for short periods, selling them, and then reinvesting the sales proceeds in another security.<sup>42</sup> For instance, on May 13, 2015, Venturino bought 400 shares of a security, in several transactions, for \$37,663, for which DF paid \$1,000 in markups. The next day, Venturino sold the entire position in this stock for \$34,670, resulting in a loss of \$2,963, including a commission on the sale of \$99. On May 18, 2015, Venturino purchased 250 shares of another security, and he sold all these shares the next day at a loss of almost \$870. DF paid a \$687 markup on the purchase, and a commission of \$99 on the sale. And, on May 19, 2015, Venturino purchased 2,500 shares of a third stock, but sold them before day's end for a loss of \$830, including a commission of \$29.<sup>43</sup> Similarly, in a series of transactions executed between November 24, 2015, and January 4, 2016, Venturino purchased and sold the same security three times, and in the process, he generated markups and commissions for himself but losses for DF.

DF closed his Aegis account after he concluded that "[he] could not keep putting money in it." A law firm subsequently contacted him and "asked [him] if [he] really understood [what happened with his account]," and "did [he] realize how much money, commissions were coming out of [his] account versus profit." He testified that he was "shocked" to learn the extent of the costs incurred by Venturino's trading in his account. DF testified that he never understood and never calculated himself what these costs were.

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<sup>40</sup> Aegis-produced phone records revealed that 40 of the 113 securities transactions were not preceded, either the day of or the day before the trade, by a call between DF and Venturino at Venturino's Aegis-assigned phone extension.

<sup>41</sup> DF acknowledged that he received his Aegis account statements, as well as trade confirmations for the securities transactions that Venturino executed in his account. He was "sure he opened them and looked at" these documents. But he did not review them "very closely" because "[he] had [his] trust in [his] friend Michael Venturino."

<sup>42</sup> DF did not recall receiving any active trading letters for his account from Aegis and none are included in the record.

<sup>43</sup> Venturino executed 49 transactions on a round-trip basis for DF's account during the relevant period. Of these transactions, the account held the securities purchased for 30 days or less 85 percent of the time, and more than 57 percent of the time held them for only one day or less.

In January 2021, several years after DF had closed his Aegis account with Venturino, an attorney filed a FINRA arbitration claim against Aegis on behalf of DF and nine other Aegis customers, including CB, that was based on Venturino's trading in 10 customers' accounts.<sup>44</sup> Around June 2021, Venturino contacted DF, telling DF that "his hand was in a vi[s]e and . . . he needed help with investors saying he had not done things he had done." Venturino then sent DF a document titled "Statement of [DF]," which DF did not draft, and he asked DF to sign it because he "was in some trouble and needed some support." DF signed the statement on June 4, 2021, even though he believed that it contained inaccurate statements, because he considered Venturino a "friend" who "had some problems," and DF had been "been brought up to forgive people."<sup>45</sup> DF testified that, if asked to sign this statement after learning the extent of "how much money [Venturino] cost [him], [and] how much money [he] los[t]," he would not have done so.<sup>46</sup>

#### 4. Customer JO

JO was born in 1968 and is a graduate of the United States Military Academy at West Point. After a 15-year military career, JO transitioned to a career in business. During the relevant period, JO was the vice-president of operations for a European company with manufacturing plants in several countries.

JO's colleague, his company's finance director, recommended Venturino to him. In October 2015, shortly after speaking with Venturino by phone, JO opened an individual Aegis account for which Venturino served as the account representative. JO eventually opened a total of three Aegis accounts with Venturino—the individual account, an IRA account opened in December 2015, and a joint account opened in February 2016.<sup>47</sup>

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<sup>44</sup> Enforcement first spoke to DF about his account in 2018. DF testified that, although he did not recall the specifics of that discussion, it influenced his decision to later join the arbitration claim against Aegis.

<sup>45</sup> In the statement, DF was purported to have declared, among other things, "I was seeking maximum total return involving a very high degree of risk"; "I fully intended to actively trade and speculate and I understood that there was a good chance that I would lose money in my account"; "I was also aware that an active trading strategy would result in very high cost/commissions in my account"; "Michael discussed each transaction with me in advance and I had authorized every transaction"; and "Because I was well-aware of the costs and risks associated with an active trading strategy, and the risk of loss I willingly accepted, I have no complaint as against Michael and did not believe that he should be disciplined or otherwise be held liable for the activity in my account."

<sup>46</sup> DF testified that, after "[he] finally got all the lists and had things explained to [him]," "[he] just [could not] think that [he] authorized that many trades." "If [he] did," DF testified, "it was only because of [Venturino's] suggestion because [DF] considered [Venturino] a friend."

<sup>47</sup> JO's wife, JB, was co-owner of the joint account. She was not "actively involved" in trading the account, and JO made all the investment decisions for it.

JO described his investing experience as “above average” because he had “dabbled in stocks” for five to 10 years before he met Venturino. JO nevertheless “was a busy guy” who “didn’t have time to babysit [his investments daily],” and therefore, with one exception, he had securities professionals with “reputable firms” that “manage[d] [his] portfolio.”<sup>48</sup>

JO testified that the account application documents for the three Aegis accounts that he opened with Venturino were accurate. The documents for JO’s individual and IRA accounts indicated that his annual income was \$300,000 to \$399,999, and his net worth was between \$1,000,000 to \$2,999,999. They further indicated that his investment objective was “speculation” and risk tolerance was “maximum risk.” The documents for the joint account that JO held with his wife, JB, indicated that their joint annual income was \$500,000 to \$749,999, they had a total joint net worth greater than \$2,999,999, and they shared an investment objective and risk tolerance of “speculation” and “maximum risk,” respectively. The documents for all three accounts indicated an “investment time horizon” of nine to 11 years.<sup>49</sup>

Venturino called JO, who has never met Venturino in person, once or twice a week by phone.<sup>50</sup> JO relied “100 percent” on Venturino’s recommendations concerning the securities purchased for all three of his Aegis accounts.<sup>51</sup> Venturino did not explain to JO the costs of trading securities in his Aegis accounts, but JO knew “there were commissions in buying and trading the stock.”<sup>52</sup>

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<sup>48</sup> JO had a single, self-directed account with a discount brokerage firm through which he bought “stocks that were pretty stable,” like “Apple.”

<sup>49</sup> JO executed margin agreements for his individual account and the joint account he held with JB. JO testified that he had not before had a margin account, but he had some understanding of margin trading, stating in his words, “you would be able to purchase more stocks for the same amount of money” and “was slightly more risky.” JO nevertheless expressed that he “was upset” after he received several margin call letters that were issued for the relevant accounts.

<sup>50</sup> JO testified that he communicated about “general topics” with Venturino by way of a messaging application but that any transactions for his Aegis accounts were “handled via phone call.”

<sup>51</sup> The securities transactions executed for JO’s Aegis accounts “were all [Venturino’s] idea,” but JO testified that he “did some research on them before we would move forward.” JO testified that he “occasionally” rejected Venturino’s recommendations after consulting with the financial director of the company for which he worked.

<sup>52</sup> Despite JO’s three Aegis accounts incurring trade costs, including markups or markdowns, Venturino never explained to JO the terms “markups,” “riskless principal basis,” or “agency trade.”

From October 2015 to March 2017, Venturino executed 74 securities transactions in JO's individual Aegis account, often purchasing and selling the same securities multiple times. During this 18-month period, the total principal value of the securities bought and sold for the account was more than \$3,000,000 at a time the account's average monthly equity was \$30,880. This equated to an annualized cost-to-equity ratio of 98.06 percent, and a turnover rate of 33.70. The account lost \$180,561 during the relevant period, incurring total trade costs of \$45,419, including markups or markdowns of \$36,963 and commissions of \$1,992.

Venturino executed 37 securities transactions—33 that he marked as solicited—in JO's IRA account during the 10-month period from December 2015 to September 2016, likewise, purchasing and selling the same securities multiple times. The total principal value of securities purchased and sold for the account during that time was \$1,268,339, while the average monthly equity was \$99,333. This equaled an annualized cost-to-equity ratio of 34.67 percent, and a turnover rate of 8.39. The trading in JO's IRA account caused losses of \$8,923 after accounting for total trade costs of \$28,697, including markups or markdowns of \$24,493 and commissions of \$2,442.

Finally, in the joint Aegis account that JO owned with JB, Venturino executed 28 securities transactions from February 2016 to March 2017, sometimes purchasing and selling the same securities more than once.<sup>53</sup> The total principal value of the transactions executed during this 14-month period was greater than \$1,000,000, while the account's average monthly equity was \$18,370. This trading resulted in an annualized cost-to-equity ratio of 96.70 percent, and a turnover rate of 27.30. The account suffered total losses of \$36,497, after total trade costs of \$20,724, including markups or markdowns of \$17,244 and commissions of \$498.

Due to his frequent travel for work, JO did not regularly or thoroughly review the correspondence, account statements, and trade confirmations that Aegis sent him for his accounts. To the extent that JO followed his accounts, it was by reviewing the summaries of activity provided in the accounts' monthly statements. JO nevertheless did not understand from those summaries the transaction costs he incurred for trades executed in the accounts, and he never attempted to calculate what those costs were.<sup>54</sup>

As with the Aegis accounts that Venturino traded for JF, CB, and DF, the activity in JO's individual Aegis account, and the joint account that JO held with his wife, evidenced instances of in-and-out trading.<sup>55</sup> After receiving an active trading letter from Aegis, JO contacted the firm's

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<sup>53</sup> Aegis records indicated that Venturino solicited all but one of these trades.

<sup>54</sup> When asked at the hearing whether it "would surprise" him that the trades Venturino executed for all three of his accounts caused him to incur total transaction costs of nearly \$95,000, JO simply replied, "Ouch, is all I could say."

<sup>55</sup> Venturino executed 26 securities transactions in JO's individual account on a round-trip basis, with nearly 81 percent of the purchased securities held for 30 days or less and 50 percent of them held for only one day or less. Similar holding periods were shown for round-trip transactions executed for JO's IRA account and the account JO held jointly with JB.

compliance department and learned from the person he spoke to that “most of [his] losses were not just the stock [but] was also the fees that [he] was getting hit with.” Aegis thereafter assigned JO’s accounts to another Aegis account representative. After speaking with that account representative, JO discovered that “there was too much buying and selling” in the accounts, and the number of transactions Venturino executed for the accounts did not match the frequency of the conversations that JO and Venturino had about specific transactions.<sup>56</sup> JO then decided to close his Aegis accounts and move his and his wife’s funds to another broker-dealer. JO, and his wife, filed an arbitration claim against Aegis for the trading activity and losses incurred in the Aegis accounts while Venturino was the representative for each of the accounts.

### III. Discussion

#### A. Venturino Violated FINRA Rules by Trading Customer Accounts Without Authorization

The Hearing Panel found that Venturino executed securities transactions in the accounts of JF, CB, DF, and JO without the prior authorization of those customers, in violation of FINRA Rule 2010. We affirm the Hearing Panel’s findings.

FINRA Rule 2010 requires FINRA members and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”<sup>57</sup> This rule allows FINRA to regulate the “ethical” standards of its members and associated persons, and it “serves as an industry backdrop for the representation inherent in the relationship[] between a securities professional and a customer[] that the customer will be dealt with fairly, and in accordance with the standards of the profession.” *See Thomas W. Heath*, Exchange Act Release No. 59223, 2009 SEC LEXIS 14, at \*13 (Jan. 9, 2009) (discussing equivalent NYSE rule) (internal quotation marks omitted), *aff’d*, 586 F.3d 122 (2d Cir. 2009).

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<sup>56</sup> JO testified, “[W]e didn’t talk enough to do that much buying and selling in that account and those trades.” Aegis-produced phone records show that 50 transactions Venturino executed for JO’s accounts were not preceded by a call between JO and Venturino at Venturino’s Aegis-assigned phone extension either the day of or the day before the relevant transaction. For example, on May 24, 2016, in JO’s IRA account, Venturino sold shares of Amazon.Com Inc., and that same day used the proceeds from this sale to purchase the securities of Tiffany & Co. The following day, Venturino sold the Tiffany & Co. stock at a loss of nearly \$4 per share. For this purchase and sale of Tiffany & Co. securities, JO paid a markup and a commission of \$712.50 and \$50.00, respectively. There is no record of a telephone call occurring between Venturino and JO for the sale of the Amazon.Com stock, or the purchase and sale of the Tiffany & Co. shares, at Venturino’s Aegis-assigned telephone number when these transactions occurred. JO also did not recall these transactions, and he testified that he would not have wanted to make them because he viewed Amazon as a better stock to hold than Tiffany & Co., and he would not have approved selling the Tiffany & Co. shares at a loss the day after the shares were purchased.

<sup>57</sup> FINRA Rule 0140 imposes on persons associated with a member the same duties and obligations as a member under FINRA rules. FINRA Rule 0140(a).

The rule thus permits FINRA to bring a disciplinary action for “a wide variety of conduct that may operate as an injustice to investors.” *Id.* at \*14. A person associated with a member must obtain consent from a customer before he or she causes a transaction for the customer’s account. *See William J. Murphy*, Exchange Act Release No. 69923, 2013 SEC LEXIS 1933, at \*24 (July 2, 2013), *aff’d sub nom., Birkelbach v. SEC*, 751 F.3d 472 (7th Cir. 2014). It is well-settled that unauthorized transactions violate the ethical standards of professionalism that FINRA Rule 2010 prescribes. *Charles Scott Burford*, Exchange Act Release No. 103180, 2025 SEC LEXIS 1577, at \*4-5 (June 4, 2025) (collecting cases), *appeal docketed*, No. 25-60401 (5th Cir. July 30, 2025).

The record establishes that Venturino repeatedly executed securities transactions in the accounts of customers JF, CB, DF, and JO without them first authorizing those transactions. The phone records that Aegis produced to FINRA of calls to and from Venturino’s Aegis-assigned phone extension, when compared to the records of the trades that Venturino made in the accounts of JF, CB, DF, and JO, show significant numbers of transactions that Venturino executed for those accounts that were not preceded by a call between the customer and Venturino.<sup>58</sup> *See*

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<sup>58</sup> During its investigation of Venturino, FINRA staff requested, pursuant to FINRA Rule 8210, that Aegis produce “[a]ll firm-phone records for [Aegis’s] Melville branch office” for the period of January 1, 2015, through September 29, 2017. On October 31, 2017, Aegis provided documents responsive to FINRA’s request that were accompanied by a cover letter that indicated the documents were responsive to FINRA’s request for “[a]ll firm-phone records for the Melville branch office.” FINRA proffered these phone records as evidence through the testimony of a FINRA investigator who testified at the hearing. The investigator testified that the records included *all* calls to and from *all* phone extensions at Aegis’s Melville, New York branch office. From these records, the investigator extracted *all* calls to and from Venturino’s Aegis-assigned phone extension to produce exhibits solely concerning Venturino’s phone communications with the customers at issue here.

The investigator’s testimony, however, was inaccurate. Unknown to her, other FINRA staff agreed, after exchanges with Aegis’s attorneys, to revise staff’s original request for Aegis’s phone records, and to replace that request with a written, amended request for phone records that was limited to the phone records of six specific Aegis registered representatives, including Venturino. The FINRA case manager who testified subsequently at the hearing clarified the record and corrected the investigator’s prior testimony. The phone records that Aegis produced to FINRA on October 31, 2017, thus included phone records of *all* calls to and from the assigned phone extensions of the *six* registered representatives identified in staff’s amended request, *including* Venturino. The Hearing Panel therefore accepted these phone records as evidence of *all* calls to and from the phone extension that Aegis assigned to Venturino during the period January 1, 2015, to October 3, 2017.

In this appeal, as he did before the Hearing Panel, Venturino objects that the phone records Aegis produced to FINRA are irrelevant and incomplete because they do not contain a record of *all* calls to and from *all* phone extensions at Aegis’s Melville, New York branch office. As we discuss below, however, *infra* note 59, there is no credible evidence that Venturino used any phone extension other than his Aegis-assigned phone extension to solicit and accept customer orders. We thus find that the Hearing Panel committed no error in admitting as

[Footnote continued on next page]

*Laurence M. Torres*, Exchange Act Release No. 81752, 2017 SEC LEXIS 3067, at \*7 (Sept. 28, 2017) (“A comparison of trading and the firm’s phone records revealed large numbers of trades for all four customers that had no call with the customer in advance of the trade, as would be required for a non-discretionary account.”). Those records show that Venturino executed eight trades in JF’s Aegis account without first discussing them with JF either the day of or the day before they were made; Venturino executed 76 trades in CB’s Aegis account without first discussing them, either the day of or the day before, with CB; Venturino executed 40 trades in DF’s Aegis account without first discussing them, either the day of or the day before, with DF; and Venturino executed 50 trades across all three of JO’s Aegis accounts without first discussing them, either the day of or the day before, with JO. In total, Venturino executed 174 transactions

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[Cont’d]

evidence the phone records that Aegis produced in response to FINRA staff’s amended request. Under FINRA Rule 9263(a), a Hearing Officer may receive all “relevant evidence, and may exclude all evidence that is irrelevant, immaterial, unduly repetitious, or unduly prejudicial.” The rule thus grants the Hearing Officer broad discretion to accept or reject evidence. *Dep’t of Enf’t v. Brookstone Sec., Inc.*, Complaint No. 2007011413501, 2015 FINRA Discip. LEXIS 3, at \*110 (FINRA NAC Apr. 16, 2015). “Because this discretion is broad, the party arguing abuse of discretion assumes a heavy burden that can be overcome only upon showing that the Hearing Officer’s reasons to admit or exclude the evidence were so insubstantial as to render the admission or exclusion an abuse of discretion.” *Id.* Venturino has failed to carry that burden here. Indeed, if Venturino believed that records of calls to and from *all* phone extensions at Aegis’s branch were necessary for his defense, he could have asked FINRA to compel Aegis to produce those records, but he did not. *See* FINRA Rule 9252(a). Venturino does not claim, nor is there evidence suggesting, that Enforcement failed to comply with the discovery obligations imposed under FINRA rules, including FINRA Rule 9251(b)(3), which provides that Enforcement may not withhold in discovery any “material exculpatory evidence.”

Venturino also objects to the admission of the phone records because, he claims, they lacked authentication under the Federal Rules of Evidence. Those rules, however, do not apply in FINRA disciplinary proceedings. *See* FINRA Rule 9145(a). And in any event, FINRA witnesses authenticated the records as being responsive to an amended information request issued under FINRA Rule 8210, which imposed on Aegis an unequivocal duty of compliance. *Howard Brett Berger*, Exchange Act Release No. 58950, 2008 SEC LEXIS 3141, at \*13 (Nov. 14, 2008). We conclude, as did the Hearing Panel, that the relevant phone records are what Enforcement claimed they were, and we thus reject Venturino’s claims regarding their authenticity. *Cf.* Fed. R. Evid. 901(a) (“To satisfy the requirement of authenticating or identifying an item of evidence, the proponent must produce evidence sufficient to support a finding that the item is what the proponent claims it is.”); Fed. R. Evid. 902(8) (acknowledged documents are self-authenticating and require no extrinsic evidence of authenticity to be admitted); *cf. also Curcio v. United States*, 354 U.S. 118, 125 (1957) (“The custodian’s act of producing books or records in response to a subpoena duces tecum is itself a representation that the documents produced are those demanded by the subpoena.”).

in the account's of JF, CB, DF, and JO for which there is no record of Venturino discussing the transactions with the customers beforehand.<sup>59</sup>

This documentary evidence is consistent with the credible testimony of each of the four customers that they do not remember discussing with Venturino many of the specific transactions that he executed for their accounts.<sup>60</sup> For example, Venturino executed trades for the customers' accounts that they testified they would not have approved given the specifics of the transactions involved, such as the specific securities being traded, the size of the transactions made, or the short-term nature of the trades, for instance sales of securities at a loss shortly after Venturino

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<sup>59</sup> Testifying at the hearing, Venturino claimed that his Aegis-assigned phone extension was not the only Aegis extension at which he discussed specific securities transactions with customers and obtained their authorization to execute trades. Specifically, he claimed that he randomly moved between multiple cubes at Aegis's Melville, New York branch office throughout the day and communicated with customers using the phones at those different cubes. The Hearing Panel found this and other testimony of Venturino's incredible, concluding that it was "evasive." We find no reason to disturb the Hearing Panel's credibility finding here. See *William Scholander*, Exchange Act Release No. 77492, 2016 SEC LEXIS 1209, at \*12 n.45 (Mar. 31, 2016) (explaining that credibility determinations "based on hearing the witness's testimony and observing demeanor . . . are entitled to considerable deference"); *Fu-Sung Peter Wu*, 55 S.E.C. 737, 746-47 n.22 (2002) ("[W]ithout substantial evidence in the record to the contrary, we cannot depart from the fact finder's determination of credibility.").

We agree with the Hearing Panel's finding that Venturino's testimony with respect to the nature of his phone usage was inconsistent with his original on-the-record testimony and a written response that he provided under FINRA Rule 8210. The Hearing Panel thus credited Venturino's original testimony and written response, in which he stated that he used the phone provided at his assigned cubicle in the Aegis branch office to solicit and accept orders for securities transactions in his customers' accounts. Having independently reviewed the record, we too find Venturino's prior investigative testimony and his written response to a FINRA investigative request to be the more believable and trustworthy account of his phone usage. See *Wilfredo Felix*, Exchange Act Release No. 101733, 2024 SEC LEXIS 3309, at \*14-15 (Nov. 25, 2024) ("The NAC may not defer to a hearing panel's credibility determinations that are based on 'objective inconsistency or fundamental implausibility.'"), *appeal docketed*, No. 25-1038 (D.C. Cir. Jan. 24, 2025).

<sup>60</sup> The Hearing Panel found the testimony of JF, CB, DF, and JO credible. We defer to these credibility findings because they are based on the Hearing Panel's first-hand impressions of the customers' live testimony, and Venturino fails to present substantial evidence to overturn them. See *Scholander*, 2016 SEC LEXIS 1209, at \*12 n.45; *Wu*, 55 S.E.C. at 746-47 n.22. Based on our independent review of the record, we further affirm the Hearing Panel's findings that JF, CB, DF, and JO each testified credibly given the consistency of that testimony with both the documentary evidence and with each other. See *Felix*, 2024 SEC LEXIS 3309, at \*14-15; see also *Wanda P. Sears*, Exchange Act Release No. 58075, 2008 SEC LEXIS 1521, at \*8 (July 1, 2008) ("Their testimony was also consistent with other documentary evidence in the record.").

purchased them. The customers also testified consistently that the number of transactions that Venturino entered for their accounts surpassed the frequency and number of the calls that they had with him to discuss the trades he recommended for their accounts. “Such ‘substantial corroborative effect of the customers’ testimony taken as a whole’ is persuasive evidence that [Venturino] effected unauthorized trades.” *See Janet Gurley Katz*, Exchange Act Release No. 61449, 2010 SEC LEXIS 994, at \*58 (Feb. 1, 2010) (quoting *Frank J. Custable, Jr.*, 51 S.E.C. 643, 648 n.14 (1993)).

Despite the foregoing evidence, Venturino argues in this appeal that “the notion that hundreds of trades occurred without the customers’ knowledge or consent is preposterous given the lack of any contemporaneous complaints.” These customers, Venturino posits, “reviewed their confirms and statements as the trading occurred yet never reported any issues.” Their receipt of trade confirmations or similar documents that advised them of transactions for their accounts after they occurred, however, does not mean that the customers authorized the transactions before Venturino executed them. *See Ralph Calabro*, Exchange Act Release No. 75076, 2015 SEC LEXIS 2175, at \*16 (May 29, 2015) (“[A]lthough [the customer] eventually learned of the bulk of [account representative’s] unauthorized trades from trade confirmations, such after-the-fact knowledge does not demonstrate that [the customer] approved those transactions *before* [the representative] made them.”). Even were we to conclude, which we do not, that customers JF, CB, DF, and JO acquiesced to Venturino’s trading, the Commission has held repeatedly that a customer’s after-the-fact “acceptance” or “ratification” of an unauthorized trade does not transform that transaction into an authorized trade that evades accountability under FINRA Rule 2010. *See Murphy*, 2013 SEC LEXIS 1933, at \*26 & n.43 (collecting cases). We may find that Venturino engaged in unauthorized trading, in violation of just and equitable principles of trade, without regard to whether any customer complained about any of the transactions that are at issue here. *See Justine Susan Fischer*, 53 S.E.C. 734, 742 (1998).

Consequently, we conclude that Venturino executed transactions in the accounts of customers JF, CB, DF, and JO without those customers first authorizing the transactions, in violation of FINRA Rule 2010.

B. Venturino Violated FINRA Rules by Excessively Trading Customer Accounts for Which He Exercised De Facto Control

FINRA Rule 2111 requires that “[a] member or an associated person . . . have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through reasonable diligence of the member or associated person to ascertain the customer’s investment profile.”<sup>61</sup> FINRA Rule 2111(a) (Sept. 2018). The obligations imposed under this rule require, among other things, that a member or associated person “have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer in light of the customer’s investment profile.” FINRA Rule 2111, Supplemental Material .05(c) (Sept. 2018). Accordingly, a member or associated person violates FINRA Rule 2111 when he or she, while exercising control of a customer’s account, engages in an excessive level of trading that is inconsistent with the customer’s investment objectives and financial profile. *Beyn*, 2023 SEC LEXIS 980, at \*7.

The Hearing Panel found that Venturino violated the foregoing suitability requirements when he excessively traded six accounts belonging to Aegis customers JF, CB, DF, and JO. We agree and, consequently, affirm the Hearing Panel’s findings.

1. Venturino Exercised De Facto Control over the Customers’ Accounts

Each of the six Aegis customer accounts at issue in this case was a non-discretionary account over which Venturino possessed no formal control. In such circumstances, a member or associated person may nevertheless violate FINRA Rule 2111 by excessively trading a customer’s account while exercising de facto control over the account. *Beyn*, 2023 SEC LEXIS 980, at \*7. Multiple factors may indicate that a member or associated person is exercising de facto control. De facto control may be established when the customer relied on his or her account representative to such a degree that the account representative controlled the volume and frequency of trading in the customer’s account. *Murphy*, 2013 SEC LEXIS 1933, at \*32-33. It may also be established when a customer routinely follows the recommendations of his or her account representative, and the customer lacked sufficient understanding to make an independent evaluation of the representative’s recommendations. *Calabro*, 2015 SEC LEXIS 2175, at \*13. In this respect, a predominance of trades solicited by the account’s representative, which the customer routinely accepts, is evidence of de facto control. *See Beyn*, 2023 SEC LEXIS 980, at \*12 (“He solicited nearly all the trade in the accounts, and the customers acquiesced routinely to his recommendations.”). Finally, a registered representative’s unauthorized trading supports a finding of de facto control over a customer’s account. *Id.*

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<sup>61</sup> We apply the FINRA rules in effect at the time of Venturino’s alleged misconduct. *See generally FINRA Regulatory Notice 20-18*, 2020 FINRA LEXIS 14 (June 19, 2020) (discussing subsequent amendments to align FINRA’s suitability rule with Regulation Best Interest, 17 C.F.R. § 240.151-1).

We conclude, as did the Hearing Panel, that Venturino exercised de facto control over the accounts of Aegis customers JF, CB, DF, and JO based on the presence of each of the foregoing factors. First, we find that the credible testimony of JF, CB, DF, and JO establishes that each of these customers relied on Venturino's recommendations to such a level that he controlled the volume and frequency of trading in the customers' accounts. For example, JF testified that he relied on Venturino's recommendations "100%," including the timing and size of a recommended transaction. CB similarly testified that he relied "heavily" on Venturino's recommendations—"95 to 100 percent"—including what securities to purchase and in what volume. DF testified that he relied "absolutely" on Venturino's recommendations, including what securities to purchase or sell, and the size and timing of a recommended transaction. In this respect, DF testified that, "if [Venturino] said an investment was good," he accepted Venturino's recommendation unconditionally. Finally, JO testified that he relied on Venturino's recommendations "100 percent" for each of his three accounts.

The fact that JF, CB, DF, and JO each routinely accepted Venturino's recommendations of transactions that Venturino almost uniformly solicited, without conducting research of their own or having an independent basis to evaluate Venturino's recommendations, further supports the conclusion that Venturino exercised de facto control. In this context, JF testified that he expected Venturino to work in his best interests because he "didn't know anything" about the stock markets and conducted no investment research of his own. Although CB was for a brief period a securities broker for a limited purpose many years ago, he too "depended" on Venturino to get him "the data" needed to invest, and he thus did not independently conduct any investment research. DF testified that he had "a little bit of knowledge" about securities investments, but he attested that he consistently followed Venturino's recommendations without conducting his own investment research or suggesting any of his own investment ideas to Venturino. Lastly, JO had "dabbled in stocks," but he relied on securities professionals to manage his investments because he "was a busy guy" and "didn't have time to babysit" his investments. Although he conducted "some research" of Venturino's recommendations, the transactions executed for his accounts "were all [Venturino's] idea." Indeed, the record establishes that JF, CB, DF, and JO could not, under the circumstances, have independently evaluated any of Venturino's recommendations because he failed to disclose to each of them the trading costs associated with his recommended transactions or the returns that were necessary to recoup a particular transaction's costs. *See Beyn*, 2023 SEC LEXIS 980, at \*12 (finding that account representative possessed de facto control of customers' accounts because "he denied the customers the ability to evaluate the potential profitability of his recommendations").

Finally, as we find above, in Part III.A, Venturino routinely executed transactions for customers JF, CB, DF, and JO without first obtaining their authorization. In such instances, Venturino, and not the customers, exercised control by determining solely by himself the securities transactions made for the customers' accounts. *See Sandra K. Simpson*, 55 S.E.C. 766, 796 (2002) ("De facto control was shown by the many unauthorized transactions . . . which left control of the account in the hands of [the account's representative].").

## 2. Venturino Excessively Traded the Customers' Accounts

Having determined that Venturino exercised de facto control of the Aegis accounts of JF, CB, DF, and JO, we next consider whether his trading in those accounts was excessive, in violation of the suitability requirements of FINRA Rule 2111. To determine whether the level of trading in a customer's account is excessive, we consider numerous factors, given a customer's financial needs and objectives, including the account's cost-to-equity ratio and turnover rate. *Beyn*, 2023 SEC LEXIS 980, at \*7. An account representative's use of in-and-out trading, regular transactions involving the same securities, and unauthorized trading is additional evidence that the representative excessively traded the account. *See Calabro*, 2015 SEC LEXIS 2175, at \*18; *Murphy*, 2013 SEC LEXIS 1933, at \*34; *see also* FINRA Rule 2111, Supplementary Material .05(c) ("No single test defines excessive trading, but factors such as the turnover rate, the cost-to-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.").

First, although there is no definitive cost-to-equity ratio or turnover rate that establishes excessive trading, the Commission has held that a cost-to-equity ratio that exceeds 20 percent or a turnover rate of 6 or more is compelling evidence that excessive trading has occurred. *Beyn*, 2023 SEC LEXIS 980, at \*7. Here the cost-to-equity ratios and turnover rates for the Aegis accounts of JF, CB, DF, and JO provide compelling evidence that Venturino excessively traded their accounts. The cost-to-equity ratio for each of the six accounts of concern well exceeded 20 percent—in fact, many times more. The cost-to-equity ratio for JF's account exceeded 150 percent; the ratio for CB's account was 95.35 percent; the ratio for DF's account was greater than 164 percent; and the ratios for JO's three accounts were 98.06 percent, 34.67 percent, and 96.70 percent for his individual, IRA, and joint account, respectively. Venturino's trading resulted in costs so high for each of the relevant accounts as to make almost impossible the possibility of any profits from the transactions that Venturino executed in them. *See Clyde J. Bruff*, 53 S.E.C. 880, 885 (1998), *aff'd*, 198 F.3d 253 (9th Cir. 1999).

Second, the turnover rates shown by Venturino's trading for each of the Aegis accounts of JF, CB, DF, and JO also exceeded acceptable norms. *See Newport Coast Sec., Inc.*, Exchange Act Release No. 88548, 2020 SEC LEXIS 917, at \*10-11 (Apr. 3, 2020) (determining account representatives' trading "far exceeded" a turnover rate of 6, thus indicating excessive trading had occurred). The turnover rate for JF's account was 38.14; the rate for CB's account was 40.56; the rate for DF's account was 54.85; and the rates for JO's individual, IRA, and joint accounts were 33.70, 8.39, and 27.30, respectively. Each of these turnover rates is evidence of the short holding periods associated with the transactions that Venturino executed for the accounts and further reinforces our finding, and the finding of the Hearing Panel, that Venturino's trading was in fact excessive. *See Bruff*, 53 S.E.C. at 885 & n.16 ("We have repeatedly found excessive trading with turnover rates far lower than this.") (collecting cases).

Finally, we find that Venturino's in-and-out trading, frequent purchases and sales of the same securities, and unauthorized trading in the Aegis accounts of JF, CB, DF, and JO are further evidence of his excessive trading. In this respect, the evidence presented at the hearing showed that Venturino pursued in-and-out trading in the accounts of JF, CB, DF, and the individual and

joint accounts of JO. The multiple in-and-out trades effected by Venturino in these accounts are a “hallmark” of excessive trading. *See Murphy*, 2013 SEC LEXIS 1933, at \*38. So too is the fact that Venturino purchased and sold the same securities multiple times for these accounts. *Id.* at \*34 (explaining that “another indication of excessive trading is the fact that the [account representative’s] trading frequently involved multiple round-trip transactions for the same [security]”). And lastly, in addition to violating Venturino’s ethical obligations under FINRA Rule 2010, and establishing Venturino’s de facto control of the relevant accounts, Venturino’s frequent unauthorized trading underscores the fact that his trading in the Aegis accounts of JF, CB, DF, and JO surely exceeded levels that were suitable for them. *See Simpson*, 55 S.E.C. at 795 (noting that the conclusion that account representative engaged in excessive trading was “bolstered by the unauthorized nature of many of the trades”).

In making these findings, we recognize that customers JF, DF, and JO each indicated on their account opening documents that his investment objective was “speculation” and risk tolerance was “maximum risk,” and in the case of CB, his account documents expressed a tolerance for “high risk.” This information, however, does not, as Venturino contends in this appeal, excuse the frequency and level of trading that he engaged in for these customers. Even when a customer expresses a desire to “speculate,” the cost-to-equity ratio and turnover rate may, as is the case here, be so extraordinary that we can safely conclude that an account representative’s trading in the account was excessive.<sup>62</sup> *See Calabro*, 2015 SEC LEXIS 2175, at \*83 (“[T]he turnover rate and cost-to-equity ratio are so high here . . . we conclude that [the account representative’s] trading in [the customer’s] account was excessive.”); *Murphy*, 2013

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<sup>62</sup> Venturino claims that each of the relevant customers was “highly sophisticated” and “sought aggressive, speculative trading to maximize returns.” We find these assertions unmoored from the credible record evidence. As the Hearing Panel found, and we conclude as well, the evidence does not support Venturino’s claims that Aegis customers JF, CB, DF, and JO were sophisticated customers. JF and DF each only had a high-school education, possessed limited investing experience, and were unaware of the costs associated with Venturino’s trading. Indeed, the testimony of both witnesses showed that they were unsure what the designations “speculative” and “maximum risk” meant, and they both believed, based on Venturino’s representations, that their risk of loss was low. For his part, CB testified that he was seeking long-term investments that would pay dividends and increase in value, but he selected a risk tolerance of “high risk” because Venturino told him it was necessary for him to do so. And although JO was a business professional, and had other investment accounts, the evidence does not show that his investing experience, which he testified came from taking the advice of other securities professionals who managed his accounts, was such that he could independently assess Venturino’s trading in his accounts. Quantitative suitability concerns not the underlying characteristics of a particular recommended security but whether the number of transactions that an account representative undertakes within a given period is suitable for the customer. *See* FINRA Rule 2111, Supplementary Material .05(c). There is no credible evidence that any of the customers who testified at the hearing asked for or understood the excessive levels of trading that Venturino undertook in their accounts. *See Newport Coast*, 2020 SEC LEXIS 917, at \*11 (“None of the representatives’ customers indicated investment objectives that would support such high levels of trading.”).

SEC LEXIS 1933, at \*38 (“Even if it could be argued that [customer] had a reasonably high tolerance risk, the extremely high turnover rate and cost-to-equity ratio tend to show a level of trading that is unsuitable under the circumstances.”).

We are similarly unmoved by Venturino’s claim that customers JF, CB, DF, and JO knew about and approved of his trading activity, including its frequency and aggressiveness, because they received numerous trade confirmations, account statements, and active trading letters from Aegis.<sup>63</sup> These documents do not, as Venturino contends, undermine our findings because, when the customers received them, they were not fully aware of the trade costs that they had incurred from Venturino’s trading.<sup>64</sup> *See Beyn*, 2023 SEC LEXIS 980, at \*6 (finding customers could not determine the amount of a markup from trade confirmations or account statements unless they calculated it themselves or asked their broker, which they did not do); *id.* at \*13 (signing active trading letters did not undermine customers’ testimony that they were not fully aware of the costs of account representative’s trading). Their receipt of such documents does not mean that JF, CB, DF, or JO ceded control of his account or accounts to approve or justify Venturino’s excessive trading.<sup>65</sup> *Cf. Calabro*, 2015 SEC LEXIS 2175, at \*47 (rejecting arguments that a customer was

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<sup>63</sup> Venturino contends that, at the hearing, he demonstrated “overwhelmingly” that he acted in accordance with his customers’ objectives and with “their full knowledge and authorization.” He claims that he “thoroughly explained [to them] the approach, risks, and costs” of his trading. The Hearing Panel did not find Venturino’s testimony credible, and it therefore declined to give credence to these and other of his claims. We defer to the Hearing Panel’s credibility determination, *see Wu*, 55 S.E.C. at 746-47 n.22, and find Venturino’s claims that he acted with his customers’ authorization, and with them knowing of the costs and risks of his trading, implausible and inconsistent with the documentary evidence and the consistent, credible testimony of JF, CB, DF, and JO. *See Felix*, 2024 SEC LEXIS 3309, at \*14-15.

<sup>64</sup> JF, CB, DF, and JO each testified that he did not review his account statements or trade confirmations closely or regularly, and he could not determine from those documents what the extent of the trading costs associated with Venturino’s trading were. Each of these customers also did not understand that they were being charged markups or markdowns on securities purchased or sold in their accounts and did not know what those terms meant. And each also testified that he did not know the amount he paid in transactions costs until after Venturino was no longer his account representative. These facts render Venturino’s claims about their receipt of various documents immaterial. *See Beyn*, 2023 SEC LEXIS 980, at \*10-11 (finding account representative engaged in excessive trading when the representative did not disclose that his customers were paying markups or markdowns, their trade confirmations did not fully inform them of their trade costs beyond commissions, and they learned about the actual trade costs they had incurred only after all or nearly all of the trading had occurred).

<sup>65</sup> We also find unpersuasive Venturino’s claim that the statement DF signed purporting to exonerate Venturino of unauthorized trading and excessive trading is evidence that customers were in control of their accounts and did not believe his trading was inconsistent with their objectives. DF signed that statement, which he did not draft, at Venturino’s urging at a time DF still considered Venturino in need of favor as a friend. DF, after learning of the full extent of the losses he suffered at Venturino’s hand, disavowed that statement. The Hearing Panel, “weighing

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informed about the activity in his account because he received trade confirmations, account statements, and tax documents).

For these reasons, we find that Venturino excessively traded the Aegis accounts of JF, CB, DF, and JO, in violation of FINRA Rules 2111 and 2010.<sup>66</sup>

C. Venturino Violated Securities Laws and FINRA Rules by Churning the Customer Accounts

Churning is excessive trading undertaken with scienter and violates Exchange Act Section 10(b), Exchange Act Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010.<sup>67</sup> *Beyn*,

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the evidence in its entirety,” found credible DF’s statements that his sympathy for Venturino led him to sign the statement, despite its falsehoods, because Venturino urged him to, and because DF was “brought up to forgive people.” We agree with the Hearing Panel’s assessment of the evidence, *see Felix*, 2024 SEC LEXIS 3309, at \*14-15, and we give the statement DF signed at Venturino’s request no weight here. *See Beyn*, 2023 SEC LEXIS 980, at \*13 (declining to find that customers lied about their understanding of a registered representative’s trading because they signed affidavits of support at the registered representative’s request); *see also Frank J. Custable, Jr.*, 51 S.E.C. 643, 649 (1993) (declining to credit post-hearing statements of witnesses after their account representative visited them, appeared distraught, and claimed that he needed a statement exonerating him to show to a potential employer).

<sup>66</sup> Business-related conduct by a member or associated person that violates another FINRA rule also violates the broker-dealer industry’s ethical norms and FINRA Rule 2010. *Murphy*, 2013 SEC LEXIS 1933, at \*19 n.29.

<sup>67</sup> Exchange Act Section 10(b) makes it unlawful for any person, by use of any means of instrumentality of interstate commerce, “[t]o use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, . . . any manipulative device or contrivance in contravention of such rules and regulations as the Commission may prescribe.” 15 U.S.C. § 78j(b). Exchange Act Rule 10b-5 provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, (a) [t]o employ any device, scheme, or artifice to defraud, (b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) [t]o engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

17 C.F.R. § 240.10b-5.

2023 SEC LEXIS 980, at \*7-8. Proof that a registered representative acted recklessly when trading a customer’s account establishes scienter. *Id.* at \*8. Recklessness is shown when a high level of transaction-based compensation, and the resulting high cost-to-equity ratio, show that the overriding purpose of a registered representative’s trading in a customer’s account is to generate commissions, such that the registered representative must have known that he was acting in reckless disregard of his customer’s interests. *Id.* More concisely, we may infer scienter from the amount of compensation a registered representative generates from his or her trading. *Id.*

We find, and affirm the Hearing Panel’s findings that, Venturino acted with scienter and therefore churned the Aegis accounts of customers JF, CB, DF, and JO when he excessively traded them.<sup>68</sup> Venturino’s conduct included elements of deceit, and his trading resulted in cost-to-equity ratios so extraordinarily high as to be beyond the result of simple mistake or negligence. Because Venturino did not disclose to the customers that he was charging them markups or markdowns on the securities he purchased or sold on a riskless principal basis for their accounts, and because the cost-to-equity ratios for all six of their accounts were so high that it was virtually impossible for these customers to profit, we conclude that Venturino must have intentionally traded their accounts to enrich himself in reckless disregard of their interests.<sup>69</sup> *See Beyn*, 2023 SEC LEXIS 980, at \*13; *see also Newport Coast*, 2020 SEC LEXIS 917, at \*13-14

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FINRA Rule 2020 states that “[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.” A violation of any of the forgoing laws or rules is also a violation of FINRA Rule 2010. *See All. for Fair Bd. Recruitment v. SEC*, 125 F.4th 159, 176 (5th Cir. 2024) (“It is obviously unethical to violate the law . . .”).

<sup>68</sup> In this appeal, without citing any legal authority, Venturino makes a bare, undeveloped claim that churning must be pled with “particularity.” The pleading requirements for FINRA disciplinary proceedings are, however, governed by FINRA Rule 9212(a), which requires that a complaint “specify in reasonable detail the conduct alleged to constitute the violative activity and the rule, regulation, or statutory provision the Respondent is alleged to be violating or to have violated.” This pleading requirement is satisfied if the allegations provide “a respondent sufficient notice to understand the charges and adequate opportunity to plan a defense.” *District Bus. Conduct Comm. v. Euripides*, No. C9B950014, 1997 NASD Discip. LEXIS 45, at \*10 (N.B.C.C. July 28, 1997) (construing former Rule 9212(a)). Venturino does not explain how the complaint Enforcement filed in this matter failed to meet the foregoing requirements, and we therefore conclude that he has forfeited any challenges that he may claim to have that it did.

<sup>69</sup> Motive, though not a necessary element of proof, can weigh heavily in favor of a scienter inference. *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 325 (2007). The Hearing Panel found that the financial pressures that Venturino faced during the relevant period, including repayment plans of \$3,700 monthly to satisfy total tax debts of \$420,000, provided him an incentive to excessively trade and churn the Aegis accounts of JF, CB, DF, and JO. We draw the same inference from these facts.

(determining that registered representatives recklessly disregarded their customers' interests when they concealed from them their commissions and markups and the volume of trades, commissions, and other charges made it "extremely unlikely" that the customers would break even). In other words, the volume and frequency of Venturino's trading in the accounts of JF, CB, DF, and JO, including by pursuing in-and-out trading in each of them, leads us to conclude that Venturino sought to maximize his own compensation at the expense of his customers' financial welfare.<sup>70</sup> See *Murphy*, 2013 SEC LEXIS 1933, at \*41 (finding under similar facts that it was "difficult to explain except as [registered representative] seeking to maximize his own commissions in disregard of [his customer's] interests").

Considering the above, we find that Venturino churned the Aegis accounts of JF, CB, DF, and JO, in violation of Exchange Act Section 10(b), Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010.<sup>71</sup>

D. Venturino Forfeited Any Constitutional Challenge to FINRA's Process

In his opening appeal brief, Venturino claims in a footnote to "reserve the right to address the potential implications" of then-recent Supreme Court decisions, including *SEC v. Jarkesy*, 603 U.S. 109 (2024), which he avers raises significant questions about the constitutionality of "certain administrative rules and administrative proceedings." "Challenges premised on constitutional claims[, however,] are not exempt from ordinary principles of waiver and forfeiture." *Kielczewski*, 2025 SEC LEXIS 3108, at \*30. Venturino may not evade this settled rule by purporting to "reserve" constitutional issues without identifying them with any specificity or presenting any developed argument. See, e.g., *Baeco Plastics v. Inacomp Fin. Servs.*, No. 94-3391, 1995 U.S. App. LEXIS 6527, at \*2 (7th Cir. Mar. 29, 1995) ("A party's principal argument must appear in the opening brief, so that it may be answered."). We therefore find that he has forfeited them in this case.<sup>72</sup> See *Baeco Plastics*, 1995 U.S. App. LEXIS 6527, at \*2.

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<sup>70</sup> The total trading costs charged to the accounts of JF, CB, DF, and JO equaled \$252,266. From this sum, Aegis paid Venturino a total of \$144,357. In contrast, customers JF, CB, DF, and JO suffered total losses of \$412,775 because of Venturino's trading, due in large part to the trading costs that they incurred because of Venturino's actions.

<sup>71</sup> The Hearing Panel found, and we concur, that Venturino's violations of the Exchange Act and Exchange Act rules were willful. See *William Joseph Kielczewski*, Exchange Act Release No. 104352, 2025 SEC LEXIS 3108, at \*22 (Dec. 9, 2025) ("Although courts have provided varying definitions of what 'willfulness' means in the securities law context, acting with scienter necessarily meets the definition of willfulness."). We therefore find, and Venturino does not assert otherwise in this appeal, that he is subject to a statutory disqualification. See 15 U.S.C §§ 3(a)(39)(F), 78o(b)(4)(D) (subjecting a person to a statutory disqualification with respect to membership in, or association with a member of, a self-regulatory organization when they willfully violate, among other laws, the Exchange Act or Exchange Act rules).

<sup>72</sup> In any event, the holdings of *Jarkesy* have no bearing on the process that FINRA afforded Venturino. The Court in *Jarkesy* held that, when the Commission seeks civil penalties against a defendant for securities fraud, the Seventh Amendment entitles the defendant to a jury trial. 603

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#### IV. Sanctions

The Hearing Panel imposed two, separate bars on Venturino—one for his unauthorized trading and one for his excessive trading and churning—and ordered that he disgorge \$171,419 in ill-gotten gains, with interest. We affirm these two bars but modify the amount that Venturino must pay in disgorgement.

##### A. Venturino Is Barred for Unauthorized Trading

The Commission has long held that unauthorized transactions are a serious breach of the high standards of commercial honor and just and equitable principles of trade required of FINRA members and associated persons under FINRA Rule 2010. *Burford*, 2025 SEC LEXIS 1577, at \*4-5. Causing securities trades for the account of a customer without the customer’s consent goes “to the heart of the trustworthiness of a securities professional.” *Katz*, 2010 SEC LEXIS 994, at \*57 (quoting *Adam Stuart Levine*, 51 S.E.C. 395, 397 (1993)). It is, frankly, “a fundamental betrayal of the duty owed by a [registered representative] to his customers” to engage in unauthorized trading. *Keith L. DeSanto*, 52 S.E.C. 316, 323 (1995), *aff’d*, 101 F.3d 108 (2d Cir. 1996).

The Sanction Guidelines (“Guidelines”) for an individual’s unauthorized trading in violation of FINRA Rule 2010 recommend that we consider suspending the respondent for a period of one month to two years.<sup>73</sup> When aggravating factors predominate, however, the same Guidelines “strongly” recommend that we consider barring the respondent.<sup>74</sup>

We conclude that aggravating factors predominate in this case, and we accordingly bar Venturino from associating in any capacity with any FINRA member for his unauthorized trading of the Aegis accounts of customers JF, CB, DF, and JO. These factors include, first, that his misconduct affected several customers and encompassed many unauthorized trades.<sup>75</sup> In this

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U.S. at 110. As the Commission recently reaffirmed, however, “the requirements of constitutional . . . jury trial rights do not apply to FINRA . . . , because it is not a state actor.” *Kielczewski*, 2025 SEC LEXIS 3108, at \*34 & n.57 (collecting cases).

<sup>73</sup> See *FINRA Sanction Guidelines*, 122 (2022), <https://www.finra.org/sites/default/files/2024-03/2022-sanction-guidelines.pdf> [hereinafter *Guidelines*]. As to a fine, the Guidelines recommend a monetary sanction of \$5,000 to \$30,000. *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> See *id.* at 7 (Principal Considerations Nos. 2, 3); see also *id.* at 7-8 (Principal Considerations Nos. 8, 17).

regard, we find it aggravating that Venturino engaged in a pattern of misconduct over an extended period by executing a total of 174 unauthorized trades in the accounts of the relevant customers during a time spanning more than two years.<sup>76</sup>

Second, we find it aggravating that Venturino's unauthorized trading was undertaken in furtherance of, or in connection with, the other misconduct that this decision finds he engaged in, namely, excessive trading and churning of the accounts of JF, CB, DF, and JO.<sup>77</sup> Venturino's unauthorized trading contributed to the significant trading costs and losses those customers sustained at his hands.<sup>78</sup> In this context, the fact that Venturino obviously sought to, and in fact did, profit from his misconduct underscores his fundamental untrustworthiness.<sup>79</sup> We thus find that Venturino acted intentionally, or at a minimum, in reckless disregard of the interests of his customers, when he traded without authorization the accounts of JF, CB, DF, and JO.<sup>80</sup>

To summarize, we find that aggravating factors predominate here, and we therefore conclude that barring Venturino from any further association with a FINRA member is the appropriate sanction for his unauthorized trading.<sup>81</sup> *See Dep't of Enf't v. Davidofsky*, Complaint

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<sup>76</sup> *See id.* at 7 (Principal Considerations Nos. 7, 8).

<sup>77</sup> *See id.* at 122 (Principal Consideration No. 5).

<sup>78</sup> *See id.* at 122 (Principal Consideration No. 2); *see also id.* at 7 (Principal Consideration No. 11).

<sup>79</sup> *See id.* at 8 (Principal Consideration No. 16).

<sup>80</sup> *See id.* (Principal Consideration No. 13).

<sup>81</sup> In this appeal, Venturino argues that it is mitigating that he lacks any disciplinary history. He is wrong. *See Rooms v. SEC*, 444 F.3d 1208, 1214 (10th Cir. 2006) ("Lack of a disciplinary history is not a mitigating factor."). Venturino also claims as a mitigating factor that none of the relevant customers complained about his conduct while he was trading their accounts. Even if this were true, an absence of customer complaints does not serve to warrant a sanction less than the bar that we have decided to impose. *See Ronald J. Gogul*, 52 S.E.C. 307, 312 n.20 (1995) (finding an absence of customer complaints was "not persuasive" evidence warranting a reduction in sanctions).

The Guidelines do, however, instruct us to consider an individual respondent's arbitration history when assessing sanctions, including those arbitrations concerning the respondent's conduct that name only the respondent's member firm. *See Guidelines*, at 2 (General Principles Applicable to All Sanction Determinations, No. 2). From 2014 to 2023, as reflected in FINRA's Central Registration Depository ("CRD<sup>®</sup>") there were 12 settlements, totaling \$2,118,168, of customer-initiated arbitration claims filed against the FINRA members with which Venturino associated and that alleged he, among other things, engaged in unauthorized trading, excessive trading, and churning. Venturino's arbitration history serves as a further indication of a pattern of egregious misconduct that supports both bars that we impose on him in this case. *See id.* at 3.

No. 2008015934801, 2013 FINRA Discip. LEXIS 7, at \*37 (FINRA NAC Aug. 26, 2013) (“Our review of the evidence in the record leads us to conclude that Davidofsky’s unauthorized trading was egregious, and we find that the Guidelines’ recommendation of a bar is appropriate under the circumstances presented.”); *Dep’t of Enf’t v. Wilson*, Complaint No. 2007009403801, 2011 FINRA Discip. LEXIS 67, at \*52-53 (FINRA NAC Dec. 28, 2011) (“We conclude that Wilson’s unauthorized trading warrants a bar.”). Venturino has taken no responsibility for his conduct, and he indeed sought to evade any responsibility for that conduct by incredibly changing his testimony at the hearing and claiming that he called his customers from an unspecified number of Aegis phone extensions, despite the clear testimony he gave under oath, and the written attestation he submitted during FINRA’s investigation, that any orders for securities that he solicited or accepted from customers were taken at his Aegis-assigned phone extension.<sup>82</sup> A bar in this instance is remedial, will serve the public interest, and is necessary to protect investors. *See John M.E. Saad*, Exchange Act Release No. 86751, 2019 SEC LEXIS 2216, at \*7 (Aug. 23, 2019) (“A FINRA bar may be imposed, not as punishment, but as a means of protecting investors.”), *aff’d*, 980 F.3d 103 (D.C. Cir. 2020). It will prevent Venturino from putting additional customers at risk and will serve to deter other securities industry professionals from engaging in like misconduct. *See Katz*, 2010 SEC LEXIS 4994, at \*71 (finding a bar necessary when respondent failed to take responsibility for her violations and provided no assurances that she would not repeat her violations).

B. Venturino Is Barred for Excessively Trading and Churning Customer Accounts

We also bar Venturino from associating with any FINRA member in any capacity for his excessive trading and churning of the Aegis accounts of JF, CB, DF, and JO.<sup>83</sup> The Guidelines for this misconduct recommend that we suspend the respondent in any or all capacities for a period of one month to two years.<sup>84</sup> When aggravating factors predominate, the Guidelines instruct us to consider a suspension of two years or a bar.<sup>85</sup> In cases involving reckless or intentional misconduct, *i.e.*, churning, the Guidelines “strongly” recommend that we consider imposing a bar.<sup>86</sup>

Applying these Guidelines here, we find that aggravating factors predominate and, because Venturino’s excessive trading also comprised the offense of churning, we find it

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<sup>82</sup> *See Guidelines*, at 7 (Principal Considerations Nos. 2, 10).

<sup>83</sup> The Hearing Panel imposed a unitary sanction for this like misconduct. We agree with the Hearing Panel’s decision to do so. *See Guidelines*, at 4 (General Principles Applicable to All Sanction Determinations, No. 3).

<sup>84</sup> *Id.* at 112. As a monetary sanction, these Guidelines recommend a fine of \$5,000 to \$50,000. *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Id.*

necessary to impose a second bar for Venturino's trading excesses. Venturino's excessive trading was widespread and evidenced an immediately apparent pattern of misconduct perpetrated over a protracted period.<sup>87</sup> From August 2014 to May 2017, Venturino executed hundreds of transactions in the Aegis accounts of JF, CB, DF, and JO, turning each of their six accounts over by amounts that far exceeded acceptable norms, including by trading the accounts on an in-and-out basis and purchasing and selling the same securities for the accounts with regularity.

The substantial trading costs, and resulting losses, that JF, CB, DF, and JO sustained because of Venturino's excessive trading is also aggravating.<sup>88</sup> Collectively, these customers paid total trading costs of \$252,266 and suffered total losses of \$412,775 because of Venturino's trading. Indeed, as we find above, in Part III.B.2, the cost-to-equity ratios with which Venturino burdened the relevant customers' accounts—ranging from a low of nearly 35 percent and a high of greater than 164 percent—resulted in costs so high as to make the possibility of the customers enjoying any profits from the transactions that Venturino executed for them effectively impossible.

These sums mirror the fact that Venturino undoubtedly acted in furtherance of his own monetary interests.<sup>89</sup> Venturino reaped more than \$144,000 in compensation, in the form of markups, markdowns, and commissions, from his excessive trading. Indeed, by finding that Venturino churned the Aegis accounts of JF, CB, DF, and JO, as discussed in Part III.B.3, including by pursuing in-and-out trading in each of them, we have essentially concluded that Venturino sought to maximize his own compensation at the expense of his customers' financial welfare.

We further find it aggravating that Venturino sought to camouflage his misconduct by omitting from his disclosures to customers JF, CB, DF, and JO the costs they would incur from his trading, including that he planned to execute transactions, in part, on a riskless principal basis and charge customers a markup or markdown on these trades.<sup>90</sup> The customers each credibly testified that Venturino did not explain that they would pay markups or markdowns on securities, they did not know what these terms meant, and they were unable to, and thus did not themselves, calculate the total trading costs that they were incurring from Venturino's trading in their accounts. Venturino's actions indicate that he either concealed information to mislead his customers or, at a minimum, to lull them into a false sense of security about his trading.<sup>91</sup>

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<sup>87</sup> See *id.* at 7-8 (Principal Considerations Nos. 8, 9, 17).

<sup>88</sup> See *id.* at 7 (Principal Consideration No. 11).

<sup>89</sup> See *id.* at 8 (Principal Consideration No. 16).

<sup>90</sup> See *id.* at 7 (Principal Consideration No. 10).

<sup>91</sup> See *id.*

Finally, we find it aggravating that, as with his unauthorized trading, Venturino has failed to take responsibility for his excessive trading and churning.<sup>92</sup> In this appeal, Venturino claims that “he made every effort to communicate with clients and explain the strategies and risks.” He claims, in this context, that he “explained all costs, markups, and fees in detail,” and cites to testimony in which he purports to have explained to the customers that there would “be more cost going in[] because of the active trading strategy and the more you trade.” As noted above, *supra* note 59, the Hearing Panel found this and other testimony incredible, and we find no reason to overturn the panel’s credibility determinations. Venturino’s testimony instead shows that he has not come to terms with the egregious nature of his misconduct and is apt to repeat it. *See Calabro*, 2015 SEC LEXIS 2175, at \*103 (“[H]e does not recognize the wrongful nature of his conduct. Given his personal profit at a customer’s expense, unauthorized and excessive trading, and exaggeration of trading results, among other things, [registered representative’s] continued participation in the industry would present a risk of future violations.”).

Consequently, we bar Venturino for excessively trading and churning the Aegis accounts of JF, CB, DF, and JO. *See Beyn*, 2023 SEC LEXIS 980, at \*18-19 (“Beyn acted with scienter, and aggravating factors predominate.”); *Davidofsky*, 2013 FINRA Discip. LEXIS 7, at \*40 (“Davidofsky’s conduct demonstrated a gross indifference to JL’s interests, and as we formulate the appropriate sanctions for Davidofsky’s excessive trading and churning, we conclude that serious sanctions are needed to protect the investing public. We therefore bar Davidofsky in all capacities.”). This separate bar is also remedial, will serve the public interest, and is necessary to protect investors. *See Saad*, 2019 SEC LEXIS 2216, at \*7. “The securities industry presents continual opportunities for dishonesty and abuse, and depends heavily on the integrity of its participants and on investors’ confidence.” *Conrad P. Seghers*, Investment Advisers Act Release No. 2656, 2007 SEC LEXIS 2238, at \*28 (Sept. 26, 2007). Given the risks to customers from the self-rewarding misconduct in which Venturino engaged, a bar prohibiting his future association with any FINRA member will protect investors and the integrity of the securities brokerage industry. *See Calabro*, 2015 SEC LEXIS 2175, at \*103.

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<sup>92</sup> *See id.* (Principal Consideration No. 2).

C. Venturino Is Ordered to Disgorge His Ill-Gotten Gains

The Guidelines authorize the disgorgement of a respondent's ill-gotten gains.<sup>93</sup> The Commission has accordingly affirmed disgorgement of the direct or indirect financial benefits that a respondent derives from his or her misconduct. *See Wilson-Davis & Co.*, Exchange Act Release No. 99248, 2023 SEC LEXIS 3658, at \*43 (Dec. 28, 2023). The amount disgorged "must be a reasonable approximation of the profits causally connected to the violation." *See id.* (quoting *Kimberly Springsteen-Abbott*, Exchange Act Release No. 88156, at 2020 SEC LEXIS 2684, at \*16 (Feb. 7, 2020), *aff'd*, 989 F.3d 4 (D.C. Cir. 2021)).

Because Venturino directly or indirectly earned \$144,357 from his unauthorized trading, excessive trading, and churning, we order that he disgorge this sum.<sup>94</sup> This disgorgement order serves the remedial purpose of depriving Venturino of the benefit of his misconduct.<sup>95</sup> *See Murphy*, 2013 SEC LEXIS 1933, at \*64.

V. Conclusion

Venturino traded six accounts belonging to four Aegis customers without authorization, in violation of FINRA Rule 2010. He also excessively traded and churned those accounts, in violation of Exchange Act Section 10(b), Exchange Act Rule 10b-5, and FINRA Rules 2111, 2020, and 2010. For his unauthorized trading, we bar Venturino from associating with any

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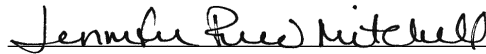
<sup>93</sup> *Guidelines*, at 5 (General Principles Applicable to All Sanction Determinations, No. 6).

<sup>94</sup> The Hearing Panel ordered that Venturino disgorge \$171,419. We find that it erred in its calculation of Venturino's ill-gotten gains by double counting amounts that Aegis paid to Venturino for trades executed in the accounts of JF and DF. We thus order that he disgorge the corrected sum of \$144,357.

<sup>95</sup> The Hearing Panel ordered Venturino to disgorge the full amount of his ill-gotten gains to FINRA. The Commission nevertheless has long-encouraged FINRA to use its remedial powers to return funds to customers when a registered representative has acquired a benefit from his or her misconduct. *David Joseph Dambro*, 51 S.E.C. 513, 518 (1993). The record shows that customers CB, DF, and JO (with JB) received payments from Aegis to settle arbitration claims that they brought against the firm for Venturino's mishandling of their accounts. In these circumstances, we find it would be inappropriate to order Venturino to disgorge part of his ill-gotten gains to these customers. *See Dep't of Enf't v. Kaweske*, Complaint No. C0704002, 2007 NASD Discip. LEXIS 5, at \*55 (NASD NAC Feb. 12, 2007) (stating that absent procurement by fraud, "we will not second guess whether a settlement was insufficient or unwise by ordering the payment of additional funds to a settling customer"). The record establishes, however, that customer JF has not been an arbitration claimant against Aegis or Venturino. We therefore order that Venturino pay the ill-gotten gains that he derived from trading JF's account—\$6,332—as disgorgement to JF. And Venturino shall pay the remaining sum of his ill-gotten gains—\$138,025—as disgorgement to FINRA. Interest shall accrue on the disgorgement payments we order at the rate set forth in Section 2261 of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2).

FINRA member in any capacity. We impose a separate bar for his excessive trading and churning.<sup>96</sup> Finally, we order that Venturino disgorge \$144,357, with interest. We also affirm the Hearing Panel's order that Venturino pay \$14,578 in hearing costs, and further order that he pay appeal costs of \$1,784.97.

On Behalf of the National Adjudicatory Council,



Jennifer Piorko Mitchell,

Senior Vice President and Deputy Corporate Secretary

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<sup>96</sup> The bars we impose herein are effective upon service of this decision.