

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069304501**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: SP Securities LLC (Respondent)
Member Firm
CRD No. 130560

Pursuant to FINRA Rule 9216, Respondent SP Securities LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

SP Securities LLC has been a FINRA member since 2004. SP Securities has 30 registered representatives working from three branch offices, and maintains its headquarters in Houston, Texas. SP Securities engages in a general securities business, including sales of private placements.¹

OVERVIEW

In 2020 and 2021, SP Securities participated as a placement agent in two contingency offerings. In both contingency offerings, it failed to use an escrow agent to custody customer funds, in violation of Exchange Act § 15(c)(2), Rule 15c2-4 thereunder, and FINRA Rule 2010. In the 2020 offering, the firm failed to promptly return customer funds when the contingency was not met, and material terms changed in the offering, in willful violation of Exchange Act §10(b), Rule 10b-9 thereunder, and FINRA Rule 2010.

¹ For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a firm examination.

A. SP Securities Failed to Establish Escrow Accounts that Complied with Exchange Act Rule 15c2-4.

Certain private placements are structured as contingency offerings, *i.e.*, securities offered on an “all-or-none” or “part-or-none” basis, which require all or a certain amount of the securities to be sold by a certain date for the offering to close. As FINRA stated in Regulatory Notice 16-08, securities laws require member firms to take additional measures in contingency offerings to ensure that investor funds are protected and are promptly returned if the contingency is not met. Exchange Act Rule 15c2-4 requires a broker-dealer participating in a contingency offering to promptly deposit investor funds into a separate bank account as agent or trustee, or with a bank that has agreed in writing to hold the funds in an escrow account, until the contingency is satisfied. Broker-dealers operating with a minimum net capital requirement of less than \$250,000 must deposit investor funds in an escrow account until the contingency is satisfied.² A violation of Exchange Act Rule 15c2-4 is also a violation of FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

In 2020 and 2021, SP Securities acted as the placement agent for two contingency offerings on behalf of separate issuers that were affiliated with a registered representative of SP Securities. SP Securities raised approximately \$1.8 million in investor funds for the 2020 offering and \$4 million in investor funds for the 2021 offering. SP Securities, which operated with a minimum net capital requirement of less than \$250,000, deposited the investor funds for both offerings into accounts that its registered representative established and controlled, rather than with a bank that had agreed in writing to hold the funds in escrow. SP Securities released the customer funds to the issuers or, when requested, returned the funds to customers.

By failing to use an escrow account to custody customer funds, Respondent violated Exchange Act § 15(c)(2), Rule 15c2-4 thereunder, and FINRA Rule 2010.

B. SP Securities Willfully Violated Exchange Act Rule 10b-9.

A member firm acting as a placement agent for a contingency offering must also comply with the requirements of Exchange Act Rule 10b-9. Under Exchange Act Rule 10b-9, a contingency offering must provide for the prompt return of investor funds if the contingency fails to be met by a certain date. Any change in a material term of a contingency offering requires the offering to be terminated and investor funds to be returned. Investors cannot waive this requirement by affirmatively consenting to the changes, except to extend the termination date of the offering. A broker-dealer that fails to terminate an offering following a material change to the terms of an offering—

² See FINRA Regulatory Notice 16-08, Contingency Offerings (Feb. 2016).

including changing the minimum contingency amount—violates Exchange Act Rule 10b-9.

A violation of Exchange Act Rule 10b-9 also constitutes a violation of FINRA Rule 2010.

The 2020 offering required that the issuer raise a minimum of \$3.5 million by March 31, 2020. SP Securities raised approximately \$1.8 million from investors by March 2020. As the closing date approached, SP Securities and the issuer agreed to restructure the transaction. SP Securities, however, did not terminate the offering and return investor funds when the deal was restructured, or when \$3.5 million had not been raised by March 31, 2020. Instead, SP Securities offered to return investor funds to investors who declined to participate in the new transaction; one investor accepted this offer, and another reduced their investment amount. The firm held the remaining investor funds in the bank account until they were used to fund an agreed-upon restructured transaction on June 15, 2020.

Therefore, Respondent willfully violated Exchange Act §10(b) and Rule 10b-9 thereunder, and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$20,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that this settlement includes a finding that it willfully violated §10(b) and Rule 10b-9 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent understands and acknowledges that FINRA does not represent or advise it and Respondent cannot rely on FINRA for legal advice; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

6-12-24
Date

Will Wilson
SP Securities LLC
Respondent

Print Name: Will Wilson

Title: CEO

Accepted by FINRA:

June 25, 2024

Date

Signed on behalf of the
Director of ODA, by delegated authority



Rebecca Kinburn
Counsel
FINRA
Department of Enforcement
581 Main Street, Suite 710
Woodbridge, NJ 07095