

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022073329701**

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

RE: JVM Securities, LLC (Respondent)  
Member Firm  
CRD No. 290327

Pursuant to FINRA Rule 9216, Respondent JVM 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**

JVM Securities has been a FINRA member firm since 2018. The firm, which is located in Oak Brook, Illinois, has five registered representatives. JVM Securities markets private placement offerings that are issued by its affiliate.<sup>1</sup>

**OVERVIEW**

Since June 30, 2020, JVM Securities has failed to establish and maintain written policies and procedures, and a supervisory system, reasonably designed to achieve compliance with Securities Exchange Act of 1934 Rule 15l-1 (Regulation Best Interest or Reg BI). As a result, the firm has willfully violated Exchange Act Rule 15l-1(a)(1) and has violated FINRA Rules 3110 and 2010.

Between June 30, 2020, and July 18, 2023, JVM Securities also failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with its Exchange Act Rule 17a-14 obligations to prepare, file, and deliver its customer relationship summary (Form CRS). JVM Securities therefore violated FINRA Rules 3110 and 2010.

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<sup>1</sup> For more information about the firm, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Finally, JVM Securities failed to comply with its regulatory obligations, including its supervisory obligations, relating to private placement offerings. The firm failed, from April 2020 to March 2022, to timely file required documents with FINRA for three private placement offerings that the firm sold to retail investors, in violation of FINRA Rules 5123 and 2010. Additionally, from October 27, 2018, to February 28, 2022, JVM Securities failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 5123. During this period, the firm's WSPs designated an individual who was no longer associated with the firm as the principal responsible for filing with FINRA required documents related to private placement offerings. Accordingly, the firm violated FINRA Rules 3110 and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a firm examination of JVM Securities.

**A. JVM Securities has failed to establish and maintain written policies and procedures, and a supervisory system, reasonably designed to comply with Regulation Best Interest.**

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15l-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of that firm's operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.<sup>2</sup>

Additionally, Reg BI's Conflict of Interest Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iii), requires broker-dealers to establish, maintain, and enforce written policies and procedures addressing conflicts of interest, defined as interests that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Such procedures must be, among other things, reasonably designed to identify and mitigate any conflicts of interest associated with recommendations to retail customers that create an incentive for an associated person to place the firm's interest, or the associated person's interest, ahead of the customer's interest. This obligation applies to incentives that are provided to the associated person,

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<sup>2</sup> See *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

whether by the firm or third parties, that are within the control of or associated with the broker-dealer's business.

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system, including written procedures, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

Violations of Reg BI or FINRA Rule 3110 are also violations 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.

Since June 30, 2020, JVM Securities has acted as placement agent for private placement offerings that it has recommended to retail customers. Nonetheless, the firm has failed to establish and maintain written policies and procedures reasonably designed to achieve compliance with Reg BI. The firm's written policies and procedures contained no provisions relating to Reg BI until March 1, 2022. After March 1, 2022, the firm's various updated versions of its policies and procedures have discussed Reg BI only in general terms, have not been tailored to the firm's business, and have not prescribed procedures for complying with Reg BI. For example, one version of the policies and procedures discussed customer account monitoring services, even though the firm did not maintain customer accounts. And the firm's current policies and procedures do not specify the steps that registered representatives must take to comply with Reg BI. Nor are the firm's current policies and procedures reasonably designed to achieve compliance with Reg BI's Conflict of Interest Obligation. Although the firm has recommended offerings of securities issued by its affiliates, its policies and procedures do not address potential conflicts of interest relating to those recommendations. As a result, the firm has failed to comply with the Compliance Obligation and the Conflict of Interest Obligation.

Since June 30, 2020, JVM Securities also has failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Reg BI. For example, one version of the WSPs delegated responsibility to a "Reg BI principal," but did not identify the principal. And the firm's current WSPs fail to detail the supervisory steps and reviews that should be undertaken by the principal responsible for supervising compliance with Reg BI—including the frequency of those reviews or how the reviews should be documented.

Therefore, JVM Securities has willfully violated Exchange Act Rule 15c-1(a)(1) and has violated FINRA Rules 3110 and 2010.

**B. JVM Securities failed to have a supervisory system, including WSPs, reasonably designed to achieve compliance with its Form CRS obligations.**

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, and

deliver the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required “conversation starters” to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Securities Exchange Act of 1934 requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems “necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of” the Exchange Act. Exchange Act Rule 17a-14—titled “Form CRS, for preparation, filing and delivery of Form CRS”—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm’s public website.

From June 30, 2020, to July 18, 2023, JVM Securities failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with its Form CRS obligations. Until March 1, 2022, JVM Securities’ WSPs contained no reference to Form CRS. And until the firm adopted revised WSPs on July 19, 2023, the WSPs were not tailored to the firm’s business and did not prescribe procedures for complying with the firm’s Form CRS obligations.

Accordingly, JVM Securities violated FINRA Rules 3110 and 2010.

**C. JVM Securities failed to timely file required documents related to three private placements, and the firm failed to have a supervisory system, including WSPs, reasonably designed to comply with FINRA’s filing requirements.**

FINRA Rule 5123 requires a member firm that sells a security in a non-public offering in reliance on an available exemption from registration under the Securities Act of 1933 to: (1) submit to FINRA, or have submitted on its behalf, a copy of any private placement memorandum, term sheet, or other offering document used in connection with such sale within 15 calendar days of the date of first sale; or (2) notify FINRA that no such offering documents were used. As noted in Regulatory Notice 12-40, FINRA Rule 5123 was implemented to enhance oversight and investor protection and to provide more timely and complete information about the private placement activities of firms on behalf of other issuers. A violation of FINRA Rule 5123 is also a violation of FINRA Rule 2010.

Between April 2020 and March 2022, JVM Securities failed to timely make filings with FINRA for three private offerings that it sold to retail investors. JVM Securities made the required filings almost two years late—and only after FINRA specifically requested that it do so. This prevented FINRA from timely reviewing the three offerings. As a result, the firm violated FINRA Rules 5123 and 2010.

Additionally, between October 27, 2018, and February 28, 2022, JVM Securities' supervisory system, including WSPs, was not reasonably designed to achieve compliance with FINRA Rule 5123. During this period, no principal of the firm supervised the filing with FINRA of required documents related to private placement offerings; rather, the firm's WSPs designated an individual who was no longer associated with the firm as the principal with this responsibility.<sup>3</sup> As a result, the firm violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$60,000 fine; and
- an undertaking that, within 60 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented written policies and procedures, and a supervisory system, including WSPs, reasonably designed to achieve compliance with Regulation Best Interest regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Rebecca Segrest, Senior Counsel, FINRA, 9509 Key West Avenue, Rockville, MD 20850-3329, with a copy to [rebecca.segrest@finra.org](mailto:rebecca.segrest@finra.org) and [EnforcementNotice@finra.org](mailto:EnforcementNotice@finra.org). Upon written request showing good cause, FINRA staff may extend this deadline.

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.

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<sup>3</sup> JVM Securities updated its WSPs to correct this issue effective March 1, 2022.

Respondent understands that this settlement includes a finding that it willfully violated Exchange Act Rule 15c-1 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;

- [REDACTED]
- 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 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.

July 12, 2024

Date

Jay Madary

JVM Securities, LLC  
Respondent

Print Name: Jay Madary

Title: owner

Reviewed by:

Gerald M. Miller

Gerald Miller  
Counsel for Respondent  
Gerald M. Miller Ltd.  
707 Skokie Boulevard, Suite 600  
Northbrook, IL 60062

Accepted by FINRA:

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

August 5, 2024

Date

Rebecca L. Segrest

Rebecca Segrest<sup>4</sup>  
Senior Counsel  
FINRA  
Department of Enforcement  
9509 Key West Avenue  
Rockville, MD 20850

<sup>4</sup> Licensed to practice law in Georgia only.