

# Disciplinary and Other FINRA Actions

## Firms Fined, Individuals Sanctioned

TriPoint Global Equities, LLC ([CRD® #143174](#), New York, New York), Michael Robert Boswell ([CRD #5292563](#), Gaithersburg, Maryland) and Andrew Dean Kramer ([CRD #4847677](#), Norfolk, Virginia)

March 5, 2019 – An Offer of Settlement was issued in which the firm was censured, fined \$100,000, ordered to pay disgorgement of commissions in the amount of \$34,001, plus interest, prohibited for a period of 12 months from directly or indirectly receiving, in any manner, any penny stock in any form and required to submit a certification that its policies and procedures are reasonably designed with respect to its compliance with FINRA Rule 3310 and the registration requirements of Sections 5(a) and 5(c) of the Securities Act of 1933, including in connection with the firm’s private placement business and any offered securities. Boswell is fined \$10,000, suspended from association with any FINRA® member in any principal capacity for 30 days and required to requalify by examination as a principal prior to acting in that capacity with any FINRA member. Kramer is fined \$10,000, suspended from association with any FINRA member in any principal capacity for 30 days and required to requalify by examination as a principal prior to acting in that capacity with any FINRA member. Without admitting or denying the allegations, the firm, Boswell and Kramer consented to the sanctions and to the entry of findings that the firm, through Boswell, its anti-money laundering (AML) compliance officer and chief compliance officer (CCO) and Kramer, its head of trading, failed to establish and implement AML policies and procedures reasonably designed to detect and report suspicious activity, including AML red flags, in connection with the firm’s penny stock business. The findings stated that the firm effected penny stock transactions for customers whose primary trading activity involved the deposit and prompt liquidation of penny stocks. The firm, Boswell and Kramer were aware that these customers’ toxic-debt financing business model, which was disclosed at account opening, was to deposit penny stocks and immediately begin liquidating the positions. Nonetheless, the firm, Boswell and Kramer failed to develop and implement an AML program to address the heightened risks inherent in these customers’ activities. The firm’s AML system was not tailored to reasonably cause the detection of red flags and patterns of potentially suspicious activity with regard to the firm’s customers’ deposit and liquidation of penny stocks. In addition, the firm, through Boswell and Kramer, failed to monitor for, detect, or further investigate the red flags for penny stock transactions identified in its own AML plan. The firm, Boswell and Kramer failed to identify or investigate red flags in connection with a customer’s deposit and liquidation of low-priced securities. Because the firm, Boswell and Kramer did not adequately identify or consider

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FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

numerous red flags related to the customer's liquidation of penny stocks, they also failed to adequately consider whether to file a Suspicious Activity Report (SAR) as required by the Bank Secrecy Act and its implementing regulations. The findings also stated that the firm failed to comply with the registration requirements of Section 5 of the Securities Act of 1933 by engaging in the unlawful re-sales of shares of restricted securities of two penny-stock issuers into the public market on behalf of the customer. The findings also included that the firm failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with registration requirements of Section 5 for the re-sale of restricted or control securities. In particular, the firm's supervisory system was inadequate to ensure that its customers' sales of low-priced securities were sold pursuant to an effective registration statement or qualified for a valid exemption therefrom. Kramer was responsible for the daily supervision of the firm's microcap securities liquidation business, including approving or rejecting deposits of restricted securities for re-sale. At the time of deposit, Kramer reviewed the supporting documents and information provided by firm customers that purported to establish that their securities were eligible for re-sale into the secondary market, without performing a searching inquiry as required. Instead, Kramer relied on the customers' representations and supporting documents submitted at the time of deposit. In addition, the firm did not require Kramer or anyone else to perform an analysis to determine whether shares were legally permissible for re-sale at the time of liquidation. Consequently, the firm failed to identify that the re-sales in shares of two penny-stock issuers were not eligible for the Securities and Exchange Commission (SEC) Rule 144 Safe Harbor, and by extension the Section 4(a)(1) exemption under the Securities Act, and thus, contravened Section 5.

Boswell and Kramer's suspensions were in effect from April 1, 2019, through April 30, 2019. ([FINRA Case #2015048172801](#))

**Corinthian Partners, L.L.C. ([CRD #38912](#), New York, New York), Richard Calabrese ([CRD #1549013](#), New York, New York) Mitchell Manoff ([CRD #815314](#), Muttontown, New York)** March 18, 2019 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was censured, fined \$30,000 and required to submit a written certification to FINRA that its policies, systems and procedures (including written procedures) and training, in connection with non-traditional exchange traded products (non-traditional ETPs), are reasonably designed to achieve compliance with FINRA Rule 2111(a) relating to suitability. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Calabrese was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for 30 business days. Manoff was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for 30 business days. The suspensions of Calabrese and Manoff shall run consecutively with Calabrese's suspension commencing first and Manoff's suspension commencing two business days following the conclusion of Calabrese's. Without admitting or denying the findings, the firm, Calabrese and Manoff consented to the sanctions and to the entry

of findings that they failed to establish, maintain and enforce a reasonably designed supervisory system, including WSPs, regarding the sale of non-traditional ETPs to the firm's customers. The findings stated that the firm, Calabrese and Manoff failed to reasonably supervise the firm's sole registered representative who sold non-traditional ETPs to customers. The representative recommended that firm customers invest almost exclusively in non-traditional ETPs and hold the positions for extended periods. The trading involved different leveraged or inverse non-traditional ETPs and generated approximately \$890,000 in commissions, which represented a significant portion of the firm's revenue. Despite this activity, the firm lacked a reasonably designed supervisory system and written policies and procedures to ensure that trading in non-traditional ETPs was suitable for its retail customers, including monitoring the risks particular to non-traditional ETPs, such as the risk posed by long-term holding of a product that resets daily. The firm also failed to have reasonable policies and procedures that provided meaningful customer eligibility standards for non-traditional ETP recommendations and failed to ensure that new account documentation was complete and accurate. In addition, Calabrese and Manoff failed to identify and investigate red flags of unsuitable trading, including non-traditional ETP positions held for extended periods, and unusually large orders of particular non-traditional ETPs, as defined in the WSPs, that required supervisory follow-up to verify that the transactions were appropriate.

Calabrese's suspension is in effect from April 15, 2019, through May 28, 2019. Manoff's suspension will be in effect from May 31, 2019, through July 12, 2019. ([FINRA Case #2016047621801](#))

## Firms Fined

### Great Point Capital LLC ([CRD #114203](#), Chicago, Illinois)

March 4, 2019 – An AWC was issued in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it inaccurately or untimely submitted Reportable Order Events (ROEs) to the Order Audit Trail System (OATS™). The findings stated that the firm transmitted ROEs to OATS that were rejected for context or syntax errors and were repairable. Of the rejected ROEs that the firm did repair, some were not repaired within the required time period and some of the late resubmissions were reported with inaccurate, rejected ROE IDs. The firm also submitted Combined Order Route Reports that OATS was unable to match to the related exchange order because the firm reported incorrect exchange participant IDs to OATS. In addition, the firm submitted Combined Order Route Reports that OATS was unable to match to the receiving firm's related New Order Report because the firm reported incorrect sent-to-firm Market Participant Identifier (MPIDs) to OATS. ([FINRA Case #2016051933501](#))

**Halifax America LLC ([CRD #172567](#), Sherman Oaks, California)**

March 6, 2019 – An AWC was issued in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it made misleading statements to FINRA in connection with its application for registration as a new FINRA member. The findings stated that despite the firm’s representation to FINRA that it did not intend to conduct business activities with any of its affiliates, the firm knew that it intended to rely upon, and had made arrangements for, an affiliate entity to solicit and refer prospective customers to the firm in exchange for compensation. Further, the firm relied upon that affiliate entity to solicit prospective customers. The findings also stated that the firm permitted an unregistered person to engage in securities activities requiring registration. Based on an arrangement between the firm and the unregistered affiliate entity, the firm agreed to pay the unregistered affiliate entity 90 percent of the commissions it received from accounts opened through introductions made by the unregistered individual. In accordance with that arrangement, the firm made payments to the unregistered affiliate entity totaling approximately \$4,460. The findings also included that the firm failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to review the trading activity in customer accounts. The firm did not conduct quarterly reviews of transactions for suitability, excessive trading and excessive commissions as required by its WSPs. FINRA found that the firm failed to establish, document and maintain a reasonable Customer Identification Program (CIP). The firm intended to rely on its clearing firm to maintain a CIP on its behalf. However, it was required by the Bank Secrecy Act’s implementing regulations to receive an annual certification from the clearing firm that it would do so. The firm did not receive such a certification and, as a result, was required to establish, document and maintain a CIP independently; however, it failed to do so. As a result, the firm did not conduct reasonable verification of its customers’ identities. ([FINRA Case #2015045780901](#))

**Parkland Securities, LLC ([CRD #115368](#), Ann Arbor, Michigan)**

March 7, 2019 – An AWC was issued in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to achieve compliance with securities laws, regulations and FINRA rules applicable to the sales of leveraged, inverse and inverse-leveraged Exchange-Traded Funds (ETFs). The findings stated that prior to receiving an exam report from FINRA, no written materials were created to provide guidance to representatives on determining the suitability of leveraged, inverse and inverse-leveraged ETF products. The firm also failed to train its representatives regarding the unique risks and features of these products and failed to have a reasonable system or procedures in place to detect potentially unsuitable transactions involving them. These violations were aggravated by the fact that the firm represented to FINRA that it would implement specific corrective measures to cure these deficiencies, but failed to implement the measures in the time frame anticipated by FINRA based on the firm’s representations. ([FINRA Case #2016052300601](#))

**Sigma Financial Corporation ([CRD #14303](#), Ann Arbor, Michigan)**

March 7, 2019 – An AWC was issued in which the firm was censured and fined \$100,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to achieve compliance with securities laws, regulations and FINRA rules applicable to the sales of leveraged, inverse and inverse-leveraged ETFs. The findings stated that prior to receiving an exam report from FINRA, no written materials were created to provide guidance to representatives on determining the suitability of leveraged, inverse and inverse-leveraged ETF products. The firm also failed to train its representatives regarding the unique risks and features of leveraged, inverse and inverse-leveraged ETFs. As a result, firm customers often held these ETF positions in their accounts for extended periods of time, in some cases, longer than two years. These extended holding periods did not raise any alerts in the firm’s internal supervisory system or trigger any additional supervisory review. These violations were aggravated by the fact that the firm represented to FINRA that it would implement specific corrective measures to cure the deficiencies, but failed to do so in the time frame anticipated by FINRA based on the firm’s representations. ([FINRA Case #2016052300602](#))

**Accelerated Capital Group, Inc. ([CRD #41270](#), Costa Mesa, California)**

March 15, 2019 – An Office of Hearing Officers (OHO) decision became final in which the firm was censured, fined \$400,000 and ordered to pay \$422,029.53, plus interest, in restitution to six customers. The sanctions were based on findings that the firm failed to establish and maintain a supervisory system and written procedures reasonably designed to achieve compliance with applicable federal securities laws, regulations and NASD®/FINRA rules. The findings stated that the firm’s supervisory system was not reasonably designed to identify unauthorized, excessive, or unsuitable trades effected by representatives in their customers’ accounts. The system failed to ensure that representatives made customers aware of all commissions and fees, that investment recommendations were suitable for them, and that the customers understood those recommendations and were aware of the costs and breakpoints associated with mutual fund transactions. It also failed to ensure that customers understood that Class A mutual funds contained front-loaded fees making them generally unsuitable as short-term investments. In addition, the firm failed to reasonably supervise the trading activity of a representative that engaged in excessive, unsuitable and unauthorized trading. The firm’s supervisory failures resulted in customer harm to vulnerable customers, five of them over the age of 80, and at least seven living on fixed incomes. The findings also stated that the firm engaged in a lengthy pattern of misconduct by failing to reasonably supervise a representative and failing to maintain reasonable supervisory policies and procedures. In addition to the large number of excessive and unsuitable transactions that the firm failed to detect and prevent, even after suspending the representative’s ability to conduct commissions-based securities transactions, it allowed him to continue to work with customers in other aspects of the business. The representative’s trading resulted

in significant monetary gain of over \$650,000 in commissions for him and the firm. The findings also included that the firm discovered that some representatives were altering and reusing customer forms and using blank, pre-signed customer forms to accommodate customer requests. Although the firm orally instructed its representatives that altering, using and re-using pre-signed forms were prohibited acts, it had no WSPs in place instructing personnel that such activity was not allowed. The firm did not take any other measures to prevent or detect improper use, alteration, or re-use of customer forms or to enhance its supervision in this area. As a result, several representatives continued to use pre-signed customer forms to accommodate certain customer requests. The findings also included that the firm failed to report customer complaints and an internal disciplinary action to FINRA. ([FINRA Case #2012033566205](#))

**Cowen and Company, LLC ([CRD #7616](#), New York, New York)**

March 18, 2019 – An AWC was issued in which the firm was censured, fined \$175,000 and required to revise its supervisory system and WSPs with respect to its compliance with its OATS reporting obligation. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete, or improperly formatted data. The findings stated that the ROEs contained inaccurate Firm Order Identifications (FOIDs). This conduct resulted from two issues, the firm’s misunderstanding of its FOID reporting obligation, and the misreporting of a certain type of order that was unique to a recently acquired broker-dealer. The firm submitted certain route reports subsequent to an order modification (cancel/replace) that linked to the FOID of the original order instead of the modified order. Because the route report subsequent to the cancel/replace linked back to the original FOID, instead of the new FOID for the replaced order, the sequencing of events within the order lifecycle was inaccurate. The findings also stated that the firm failed to transmit ROEs to OATS. This conduct resulted from a vendor issue that occurred when maintenance was being performed on an OATS-reporting server. Once the server issue was resolved, the firm resubmitted the ROEs to OATS. The findings also included that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to ensure that the firm complied with its OATS reporting obligation. ([FINRA Case #2016049867901](#))

**Arbor Research & Trading, LLC ([CRD #21313](#), Barrington, Illinois)**

March 21, 2019 – An AWC was issued in which the firm was censured, fined \$25,000 and required to enhance its supervisory system, including its WSPs, to ensure it establishes, documents and maintains a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of its business activity related to market access. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of its business activity. The findings stated that the firm was a broker-dealer with market access to five

alternative trading systems, for which the firm's trading was limited to trading municipal fixed income securities. The firm also provided 25 institutional customers with access to an alternative trading system for weekly auctions of municipal fixed income securities, operated by Arbor itself. The firm failed to conduct an annual review to assure the overall effectiveness of its risk management controls and supervisory procedures, and failed to preserve a copy of the documentation of its review. In addition, the firm failed to document the required chief executive officer (CEO) certification that such risk management controls and supervisory procedures were in compliance with applicable rules, and that the broker or dealer conducted such review. ([FINRA Case #2017052227601](#))

**McDonald Partners LLC ([CRD #135414](#), Cleveland, Ohio)**

March 22, 2019 – An AWC was issued in which the firm was censured and fined \$22,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report certain municipal securities transactions to the Municipal Securities Rulemaking Board's (MSRB) real-time transaction reporting system. The findings stated that the firm failed to report both the purchases into its riskless principal account and the sales to its investment adviser clients of certain riskless principal transactions. The findings also stated that the firm conducted a securities business while failing to maintain its required minimum net capital. The firm operated with a net capital deficiency because it overstated the allowable portion of receivable commissions from the sale of unregistered offerings and failed to record a haircut deduction in a money market mutual fund. The firm failed to maintain an accurate general ledger and net capital computation as a result of these errors. ([FINRA Case #2017052419301](#))

**Stonecrest Capital Markets, Inc. fka Redwine & Company, Inc. ([CRD #39616](#), Austin, Texas)**

March 26, 2019 – An AWC was issued in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible fixed income securities. The findings stated that the firm failed to accurately record the terms and conditions of customer orders on its books and records. The firm failed to mark order tickets for securities transactions as either solicited or unsolicited. Instead, the section of the order ticket where that information was supposed to be noted was marked N/A. ([FINRA Case #2016048194301](#))

## Firm Sanctioned

**ProEquities, Inc. ([CRD #15708](#), Birmingham, Alabama)**

March 7, 2019 – An AWC was issued in which the firm was censured and required to provide remediation to eligible customers who qualified for, but did not receive, the applicable mutual fund sales charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total \$152,880 (the amount

eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing such customers to pay higher fees than they were actually required to pay. The findings also stated that the firm failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales charge waivers, but failed to maintain WSPs reasonably designed to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales charge waivers for eligible customers. The firm failed to adopt controls reasonably designed to detect instances in which they did not provide sales charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales charge waivers, the firm estimates that eligible customers were overcharged by approximately \$136,660 for mutual fund purchases made since January 1, 2011. ([FINRA Case #2016052179401](#))

## Individuals Barred

### **Raymond Keith Malicki ([CRD #2120836](#), Coopersburg, Pennsylvania)**

March 4, 2019 – An AWC was issued in which Malicki was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Malicki consented to the sanction and to the entry of findings that he refused to appear for on-the-record testimony requested by FINRA after it received an amended Uniform Application for Securities Industry Registration or Transfer (Form U4) filed by his member firm that disclosed that his prior firm had learned of allegations regarding his access to, and conducting transactions in, a client's account at a third-party financial institution. ([FINRA Case #2018058716301](#))

### **Donovan St. Anthony Hunter ([CRD #6622234](#), Houston, Texas)**

March 6, 2019 – An AWC was issued in which Hunter was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Hunter consented to the sanction and to the entry of findings that he refused to provide FINRA with requested information in connection with its investigation of his conduct that led to his termination from a member firm, as disclosed in a Uniform Termination Notice for Securities Industry Registration (Form U5). The findings stated that Hunter's firm reported in the Form U5 that he had been discharged for soliciting investment in an unapproved outside business activity from a customer of the firm's affiliate bank, and for allegedly using the funds for his personal use, in violation of the policy of the affiliate bank. ([FINRA Case #2018059718201](#))

**Derek Allen Sunderland ([CRD #2996941](#), Fargo, North Dakota)**

March 6, 2019 – An AWC was issued in which Sunderland was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Sunderland consented to the sanction and to the entry of findings that he falsified documents and caused his member firm to maintain inaccurate books and records. The findings stated that Sunderland, while a supervisor at the firm, falsified certain firm records to create the appearance that he had reviewed them as part of his supervisory review. The findings also stated that Sunderland provided those falsified documents to the firm knowing that they would be provided, as if they were genuine documents, to FINRA in response to FINRA Rule 8210 requests sent to the firm. The findings also included that Sunderland gave false and misleading testimony about the records in his on-the-record interview with FINRA. ([FINRA Case #2016049050801](#))

**Judith Adele Johnston ([CRD #5532549](#), Boerne, Texas)**

March 18, 2019 – An AWC was issued in which Johnston was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Johnston consented to the sanction and to the entry of findings that she refused to appear for FINRA on-the-record testimony in connection with its investigation into multiple customer complaints regarding the sale of variable annuities when she was registered with a member firm. ([FINRA Case #2018056891001](#))

**Qianqi Rao ([CRD #6667319](#), Guangzhou, China)**

March 18, 2019 – An AWC was issued in which Rao was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Rao consented to the sanction and to the entry of findings that she accessed and reviewed prohibited materials while taking the Series 52 (Municipal Securities Representative) examination. The findings stated that prior to beginning the examination, Rao attested that she had read and would abide by the FINRA Test Center Rules of Conduct, which prohibited the use or possession of phones, notes, study materials and other personal items in the examination room or during a restroom break. While on an unscheduled break during the test session, Rao accessed her cell phone from her locker, conducted an internet search of material related to exam topics and skimmed the search returns hit list. Rao also accessed and reviewed a printed Series 52 study guide, which she had stored in the restroom prior to the start of the examination. ([FINRA Case #2018058583501](#))

**Dennis Allen Hayes ([CRD #4403550](#), Charlotte, North Carolina)**

March 22, 2019 – An Offer of Settlement was issued in which Hayes was barred from association with any FINRA member in all capacities. Without admitting or denying the allegations, Hayes consented to the sanction and to the entry of findings that he participated in private securities transactions without providing prior written or any other notification to his member firm. The findings stated that Hayes recommended that investors, most of whom were firm customers, invest a total of \$2.7 million in five companies, and facilitated those investments. The investors suffered losses of at least

\$2.3 million, after one of the companies filed for bankruptcy and the other companies ceased operations. The findings also stated that Hayes used personal email addresses to correspond with customers about their firm accounts and communicated via text message with a firm customer about her account. Hayes did not provide these communications to the firm. Therefore, the firm failed to review or retain this securities-related correspondence as books and records, as required. The findings also included that Hayes failed to provide documents and information requested by FINRA related to customer complaints received regarding his handling of the customers' investments. ([FINRA Case #2016050883001](#))

**Edward Earl Matthes ([CRD #2788055](#), Oconomowoc, Wisconsin)**

March 22, 2019 – An AWC was issued in which Matthes was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Matthes consented to the sanction and to the entry of findings that he failed to provide documents and information requested by FINRA in connection with its investigation that it initiated based on an external tip. ([FINRA Case #2019061857901](#))

**Sarah Leanne Banon ([CRD #6648369](#), Seaside, California)**

March 26, 2019 – An AWC was issued in which Banon was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Banon consented to the sanction and to the entry of findings that she refused to appear for on-the-record testimony requested by FINRA in connection with its investigation into allegations that she misappropriated funds from the bank where she was employed that was an affiliate of her member firm. ([FINRA Case #2018060356601](#))

**Sam Aziz ([CRD #1721932](#), Powell, Ohio)**

March 27, 2019 – An AWC was issued in which Aziz was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Aziz consented to the sanction and to the entry of findings that he refused to appear for on-the-record testimony requested by FINRA in connection with its investigation into his sales practices at his member firms. The findings stated that FINRA was investigating allegations of excessive trading and unsuitable recommendations involving the use of margin, whether Aziz attempted to settle a customer's complaint away from his firm, and whether he used an undisclosed personal email account and text messages to conduct securities business, among other allegations. ([FINRA Case #2017052325701](#))

## Individuals Suspended

**Paul Norman Gershon ([CRD #221357](#), Singer Island, Florida)**

March 6, 2019 – An AWC was issued in which Gershon was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 15 business days. Without admitting or denying the findings, Gershon consented to the

sanctions and to the entry of findings that he exercised discretionary trading authority in customer accounts without written authorization from the customers and without seeking or obtaining written acceptance of the accounts as discretionary from his member firm.

The suspension was in effect from March 18, 2019, through April 5, 2019. ([FINRA Case #2018060156201](#))

**Mauricio de la Torre (CRD #2448272, Palm City, Florida)**

March 11, 2019 – An AWC was issued in which de la Torre was suspended from association with any FINRA member in all capacities for nine months. In light of de la Torre’s financial status, no monetary sanction has been imposed. Without admitting or denying the findings, de la Torre consented to the sanction and to the entry of findings that he functioned as a principal at his member firm without becoming registered as a General Securities Principal. The findings stated that de la Torre failed to reasonably perform his supervisory duties by failing to review any of the transactions effected through a firm branch office to detect potential insider trading and other violative or suspicious activity, including high-risk trading patterns and transfers between related and affiliated accounts. De la Torre did not otherwise reasonably supervise that branch or the FINRA-registered traders who operated out of that location. Although de la Torre reviewed bond transactions for best execution purposes only, he did not review transactions for any other supervisory purposes, and did not implement any exception reporting to detect or respond to any patterns of activity that raised potential issues. Rather, de la Torre approved transactions without taking reasonable steps to determine if they presented any indicia of any violations of securities laws or FINRA rules.

The suspension is in effect from March 18, 2019, through December 17, 2019. ([FINRA Case #2015047215402](#))

**Richard D. Niemann (CRD #348144, Missouri City, Texas)**

March 11, 2019 – An AWC was issued in which Niemann was fined \$5,000 and suspended from association with any FINRA member in all capacities for 15 business days. Without admitting or denying the findings, Niemann consented to the sanctions and to the entry of findings that he effected discretionary transactions in customer accounts without obtaining prior written authorization from the customers and without his member firm having accepted the accounts as discretionary. The findings stated that although the customers had given Niemann express or implied authority to exercise discretion in their accounts, none of the customers had provided written authorization for him to exercise discretion.

The suspension was in effect from April 1, 2019, through April 19, 2019. ([FINRA Case #2018057927801](#))

**Kevin Hao Jie Zhang (CRD #6297763, Nashville, Tennessee)**

March 14, 2019 – An AWC was issued in which Zhang was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Zhang consented to the sanctions and to the entry of findings that he borrowed \$5,000 from an elderly customer of his member firm without seeking or obtaining the firm’s written pre-approval of the loan. The findings stated that the customer was neither a relative nor a financial institution, so the loan was prohibited by the firm’s written policies. Zhang has not repaid the loan.

The suspension is in effect from March 18, 2019, through June 17, 2019. ([FINRA Case #2017056094402](#))

**Farrukh Shazad Kazmi (CRD #2855915, Moorestown, New Jersey)**

March 22, 2019 – An Offer of Settlement was issued in which Kazmi was fined \$20,000, suspended from association with any FINRA member in all capacities for five months, and is required to disgorge a portion of the commissions he received, which is ordered to be paid in the amount of \$10,350.71, plus interest. Without admitting or denying the allegations, Kazmi consented to the sanctions and to the entry of findings that he used unapproved communications methods to conduct securities business. The findings stated that after learning that Kazmi had been using instant messaging to communicate with a customer, Kazmi’s supervisor verbally informed him that his member firm’s procedures strictly prohibited its registered representatives from using instant messaging to conduct securities business. That same day, Kazmi confirmed in writing to his supervisor that he would no longer use instant messaging. Despite the firm’s admonition and his own explicit agreement to cease using instant messaging to communicate with customers, Kazmi continued to use instant messaging in conducting securities business. In addition, Kazmi regularly corresponded with firm customers via text messaging regarding securities activity in their accounts. Kazmi did not inform the firm that he used text messaging or instant messaging to conduct securities business, nor did he provide copies of these communications to the firm. In doing so, Kazmi prevented the firm from reviewing and retaining correspondence with the public and making and preserving books and records. The findings also stated that Kazmi exercised discretion over customer accounts without written authorization. Although Kazmi received the customers’ verbal authorization, he never sought or obtained written authorization from them to exercise discretion in any of their accounts at the firm, and the firm never approved any of these customer accounts as discretionary accounts. The findings also included that Kazmi made false statements to the firm regarding his use of instant messaging, and provided false answers to FINRA regarding his use of instant and text messaging and use of discretion. FINRA found that Kazmi sold initial equity public offerings to a restricted person. Kazmi received a total of \$10,350.71 in commissions on the purchases and the subsequent sale transactions by the restricted person.

The suspension is in effect from April 15, 2019, through September 14, 2019. ([FINRA Case #2014039169602](#))

**Robert L. Bryant III ([CRD #2494572](#), Lincoln, Nebraska)**

March 27, 2019 – An AWC was issued in which Bryant was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Bryant consented to the sanctions and to the entry of findings that he forged signatures on updated new account documents for existing customers of his member firm. The findings stated that Bryant did not receive authorization or consent from any of the customers to affix their signatures to the documents. Subsequently, Bryant submitted the documents containing forged customer signatures to the firm. The findings also stated that Bryant caused the firm to make and preserve inaccurate records by submitting the inaccurate customer account documents to the firm that it was required to make and keep. These records were inaccurate because the signatures were not genuine and, therefore, the customer had not in fact reviewed and approved the documents.

The suspension is in effect from April 1, 2019, through June 30, 2019. ([FINRA Case #2017054741201](#))

**Ellen Jane Donnelly ([CRD #2357999](#), Holmdel, New Jersey)**

March 28, 2019 – An AWC was issued in which Donnelly was suspended from association with any FINRA member in all capacities for four months. In light of Donnelly's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Donnelly consented to the sanction and to the entry of findings that she borrowed \$30,000 from one of her brokerage customers without seeking or obtaining her member firm's pre-approval. The findings stated that FINRA began an investigation after the firm filed a Form U5 reporting that Donnelly was terminated for concerns relating to her borrowing from a client. While experiencing financial difficulties, Donnelly borrowed the funds from a longtime friend and customer of the firm. The funds for the loan were wired from the customer's brokerage account. In order to conceal the purpose of the withdrawal, Donnelly submitted a wire transfer form to the firm that inaccurately described the reason for the wire as for a car purchase. When the firm learned about the loan, it terminated Donnelly and reimbursed the customer.

The suspension is in effect from April 15, 2019, through August 14, 2019. ([FINRA Case #2017052985001](#))

**Scott Blake Mintz ([CRD #4783179](#), West Simsbury, Connecticut)**

March 28, 2019 – An AWC was issued in which Mintz was fined \$5,000 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Mintz consented to the sanctions and to the entry of findings that he exercised discretionary trading authority in customer accounts without seeking or obtaining approval from his member firm and without the customers providing him written authorization to engage in discretionary trading in their accounts.

The suspension was in effect from April 15, 2019, through April 29, 2019. ([FINRA Case #2017055847401](#))

**Prabir Purohit ([CRD #5577426](#), Glen Allen, Virginia)**

March 29, 2019 – An AWC was issued in which Purohit was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for one year. Without admitting or denying the findings, Purohit consented to the sanctions and to the entry of findings that he improperly used his member firm’s funds by altering business-related transportation receipts to make it appear as though rides he took were eligible for expensing under the firm’s policy when they were not. The findings stated that Purohit submitted the altered receipts to the firm to obtain reimbursement for those rides. The charges totaled \$3,246.14.

The suspension is in effect from April 1, 2019, through March 31, 2020. ([FINRA Case #2018058000401](#))

## Decision Issued

The OHO issued the following decision, which has been appealed to or called for review by the National Adjudicatory Council (NAC) as of March 31, 2019. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA Disciplinary and Other Actions.

**JTA Securities Management, Inc. dba Titan Securities ([CRD #131392](#), Addison, Texas), Brad Curtis Brooks ([CRD #1584633](#), Frisco, Texas) and Richard Wayne Demetriou ([CRD #828433](#), Suwanee, Georgia)**

March 26, 2019 – FINRA appealed an OHO decision to the NAC. On April 1, 2019, Demetriou filed a Notice of Appeal and Cross-Appeal of the OHO decision to the NAC. The firm was fined \$50,000 jointly and severally with Brooks and independently fined an additional \$15,000. Brooks was suspended from association with any FINRA member in any principal or supervisory capacity for two months. Demetriou was fined \$40,000, suspended from association with any FINRA member in all capacities for 21 months and ordered to pay \$84,425, plus prejudgment interest, in restitution to customers. The sanctions were based on findings that Demetriou made false or misleading misrepresentations of fact in three widely distributed emails to current and former customers. The findings stated that Demetriou sent investment summaries and emails to his customers and former customers that contained inaccurate information and failed to provide a sound basis for evaluating facts. Demetriou sent the emails without obtaining approval by an appropriately qualified registered principal of the firm. The findings also stated that the firm and Brooks failed to establish, maintain and enforce adequate supervisory systems for the capture, review and retention of the firm’s securities-related emails, failed to enforce the firm’s WSPs prohibiting the use of personal email accounts for securities-related correspondence and that the firm failed to preserve emails relating to its securities business. The findings also included that Demetriou used unauthorized personal email accounts to conduct securities

business with customers of the firm. FINRA found that in a minimum-maximum offering of limited partnership units, the firm unlawfully released investment funds from escrow before the minimum offering amount was raised from bona fide investors. FINRA failed to meet its burden of proof that Brooks and the firm made prohibited representations with scienter in connection with the minimum-maximum offering, that Demetriou was employed or compensated as a result of an outside business activity and that the firm and Brooks had an obligation to supervise Demetriou's involvement in a securities offering as an outside business activity because he was neither employed nor compensated by any person in the offering. Accordingly, these causes of action were dismissed.

The sanctions are not in effect pending review. ([FINRA Case #2013035345701](#))

## Complaint Filed

**FINRA issued the following complaint. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.**

**Beth Ann DeBouvre ([CRD #3176483](#), St. Clair Shores, Michigan) and Kim Kahala Kopacka ([CRD #3153396](#), Grosse Pointe Shores, Michigan)**

March 25, 2019 – DeBouvre and Kopacka were named respondents in a FINRA complaint alleging that they permitted and enabled Kopacka's husband to associate with, and conduct a securities business through, member firms, and to engage in activities requiring registration, despite the fact that he was barred by FINRA from associating with a member firm and therefore statutorily disqualified. The complaint alleges that for much of two decades, Kopacka and DeBouvre allowed Kopacka's husband to meet with new and existing firm customers and recommend the purchase and sales of securities to them, resulting in securities transactions of approximately \$42.65 million and commissions of approximately \$6.35 million. Kopacka and DeBouvre facilitated Kopacka's husband's securities business and helped him circumvent his statutory disqualification by, among other things, falsifying the documents supporting the transactions he recommended, approving the transactions and concealing his statutory disqualification. ([FINRA Case #2016050137503](#))

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**Firm Cancelled for Failure to Pay Outstanding Fee Pursuant to FINRA Rule 9553**

Mountain River Securities, Inc.  
(CRD #36937)  
Denver, Colorado  
(March 20, 2019)

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**Firm Cancelled for Failure to Meet Eligibility or Qualification Standards Pursuant to FINRA Rule 9555**

Silicon Valley Securities (CRD #23696)  
Saratoga, California  
(March 26, 2019)

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**Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Financial West Group (CRD #16668)  
Reno, Nevada  
(March 8, 2019)

Financial West Group (CRD #16668)  
Reno, Nevada  
(March 9, 2019)

Financial West Group (CRD #16668)  
Reno, Nevada  
(March 16, 2019)

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**Firm Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Fundpaas Inc (Funding Portal Org ID #284909)  
San Francisco, California  
(March 8, 2019)

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**Firm Suspended for Failing to Pay Arbitration Awards Pursuant to FINRA Rule 9554**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Crest Capital LLC (CRD #172664)  
Pewaukee, Wisconsin  
(March 18, 2019 – April 30, 2019)  
FINRA Arbitration Case #18-02897

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**Individuals Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**

(If the revocation has been rescinded, the date follows the revocation date.)

Eric Steven Korhut (CRD #3199787)  
Johnstown, Pennsylvania  
(March 12, 2019)  
FINRA Case #2016051348101

Jordon Scott Trice (CRD #5500091)  
Reno, Nevada  
(March 21, 2016 – March 4, 2019)  
FINRA Case #2012030670603

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**Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)**

(If the bar has been vacated, the date follows the bar date.)

**Andy James Anderson (CRD #4791069)**  
Lake Charles, Louisiana  
(March 15, 2019)  
FINRA Case #2018059961901

**Tywan Chariff Bishop (CRD #6441836)**  
New York, New York  
(February 19, 2019 – March 4, 2019)  
FINRA Case #2018059644301

**Edward Ralph Conrekas (CRD #2962132)**  
Eastvale, California  
(March 11, 2019)  
FINRA Case #2018056986201

**Scott J. Donato (CRD #2336331)**  
Summerfield, Florida  
(March 14, 2019)  
FINRA Case #2016050873601

**Joel Vincent Flaningan (CRD #5664958)**  
Fort Wayne, Indiana  
(March 4, 2019)  
FINRA Case #2018058657701

**Anthony Johnson (CRD #6960172)**  
Chicago, Illinois  
(March 22, 2019)  
FINRA Case #2018060225301

**Christopher Joseph Marnelego (CRD #4519174)**  
Millington, New Jersey  
(March 1, 2019)  
FINRA Case #2016047624301

**Valerie Lynn Ness (CRD #4885721)**  
Stoughton, Wisconsin  
(March 11, 2019)  
FINRA Case #2018059729801

**Timothy Alan Norris (CRD #4762500)**  
Crystal Lake, Illinois  
(January 14, 2019 – March 4, 2019)  
FINRA Case #2018059459501

**Mark Andrew Tudor (CRD #2842516)**  
Sanford, Florida  
(March 22, 2019)  
FINRA Case #2018060335501

**Patsy A. Vrazel (CRD #5646401)**  
Buckholts, Texas  
(March 11, 2019)  
FINRA Case #2018058838001

**Bruce Colin Worthington (CRD #2193895)**  
Tewksbury, Massachusetts  
(March 11, 2019)  
FINRA Case #2018059894201

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**Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Gregory Hunter Bang (CRD #5088782)**  
Eugene, Oregon  
(March 18, 2019)  
FINRA Case #2017054559901

**Tywan Chariff Bishop (CRD #6441836)**  
New York, New York  
(December 10, 2018 – March 18, 2019)  
FINRA Case #2018059644301

**Gabriel Block (CRD #2103543)**

Rumson, New Jersey  
(March 8, 2019)  
FINRA Case #2017052466301

**Patricia Lynn Duchan (CRD #1126038)**

Pompano Beach, Florida  
(March 18, 2019)  
FINRA Case #2018060236201

**Jeffrey Joseph Hovermale (CRD #2104629)**

Longwood, Florida  
(December 31, 2018 – March 27, 2019)  
FINRA Case #2018057839101

**Jordan C. Kane (CRD #6862129)**

Quincy, Massachusetts  
(March 21, 2019)  
FINRA Case #2018058193701

**Joseph James Martinez (CRD #6191278)**

West Covina, California  
(March 22, 2019)  
FINRA Case #2018059437201

**Timothy Alan Norris (CRD #4762500)**

Crystal Lake, Illinois  
(November 5, 2018)  
FINRA Case #2018059459501

**Benjamin Kirk Weldon (CRD #5311364)**

Visalia, California  
(March 18, 2019)  
FINRA Case #2018059415501

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**Individual Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Rachael Leigh Konz (CRD #4040114)**

Folsom, California  
(March 7, 2019)  
FINRA Arbitration Case #16-02604

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**Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Frank Daniel Bethan (CRD #3248047)**

Menifee, California  
(March 29, 2019)  
FINRA Arbitration Case #18-02209

**Jill M. Cody (CRD #4333419)**

Neptune, New Jersey  
(March 28, 2019)  
FINRA Arbitration Case #17-02035

**Richard Grant Cody (CRD #2794558)**

Jacksonville, Florida  
(March 28, 2019)  
FINRA Arbitration Case #17-02035

**Michael Genovese (CRD #2864042)**

Seaford, New York  
(March 1, 2019)  
FINRA Arbitration Case #16-00110

**John Duwayne Guderyon (CRD #5177693)**

Milwaukee, Wisconsin

(March 18, 2019 – April 30, 2019)

FINRA Arbitration Case #18-02897

**Jeffrey Anthony Laboranti (CRD #5491330)**

Moscow, Pennsylvania

(March 29, 2019)

FINRA Arbitration Case #18-02315

**Andrew J. Martino (CRD #5625402)**

Calabasas, California

(October 26, 2018 – March 12, 2019)

FINRA Arbitration Case #18-00773

**Douglas P. Simanski (CRD #2606998)**

Lilly, Pennsylvania

(March 7, 2019)

FINRA Arbitration Case #18-01326

**Guillermo Genaro Valladolid****(CRD #4553357)**

San Diego, California

(March 27, 2019)

FINRA Arbitration Case #17-02770

**Jackie Divono Wadsworth (CRD #2342163)**

Fulshear, Texas

(March 1, 2019)

FINRA Arbitration Case #18-02199

## Press Release

### **FINRA Fines Cantor Fitzgerald \$2 Million for Regulation SHO Violations and Supervisory Failures Firm Required to Retain an Independent Consultant**

FINRA announced that it has fined [Cantor Fitzgerald & Co.](#) (Cantor) \$2 million for Regulation SHO (Reg SHO) violations and supervisory failures spanning a period of at least five years. As part of the settlement, Cantor also agreed to retain an independent consultant to conduct a comprehensive review of the firm's policies, systems, procedures and training related to Reg SHO.

The Securities and Exchange Commission adopted Reg SHO to address concerns regarding persistent failures to deliver and potentially abusive "naked" short selling, e.g., the sale of securities that an investor does not own or has not borrowed. The rule requires firms to deliver the shares on settlement date or take affirmative action to close out the "failure to deliver" shares by purchasing or borrowing the securities. If the failure to deliver is not closed out, the firm may not accept additional short sale orders in the security without first borrowing or arranging to borrow the security.

FINRA found that, from January 2013 through December 2017, Cantor's supervisory system, including its written supervisory procedures (WSPs), was not reasonably designed to achieve compliance with the requirements of Reg SHO. Cantor's use of a predominantly manual system to supervise its compliance with Reg SHO was not reasonable in light of the firm's business expansion and increased trading activity - from 35 billion shares in 2013 to 79 billion shares in 2014. Also, Cantor's compliance personnel identified red flags in 2013, 2014 and 2015 indicating that the firm had systemic issues with Reg SHO and that its supervisory systems were not reasonably tailored to its business. While Cantor made some changes, it did not adapt and enhance its supervision to address the deficiencies its personnel identified, commit additional staffing to monitoring its compliance with Reg SHO, or implement WSPs relating to its new lines of business until 2016. Moreover, Cantor's enhancements to its supervisory systems and procedures were not fully effective. For example, Cantor failed to identify fails-to-deliver in accounts that were not monitored by its supervisory systems.

FINRA also found that Cantor failed to timely remediate issues identified by its personnel. This was not reasonable considering, among other things, the firm's prior disciplinary history relating to Reg SHO. As a result, Cantor did not timely close-out at least 4,879 fails-to-deliver, and routed and/or executed thousands of short orders in those securities without first borrowing (or arranging to borrow) the security or issuing notice of the need for a pre-borrow to the broker-dealers for whom it cleared and settled trades.

“Firms need to ensure that their supervisory systems are reasonably tailored to their business and once they become aware of deficiencies in their supervisory systems, they must promptly remediate them,” said Susan Schroeder, FINRA Executive Vice President, Department of Enforcement. “As our Annual Examination Priorities letters make clear, firms’ compliance with Regulation SHO is a continued focus for FINRA when evaluating operational risk and is necessary to preserve investor confidence.”

In determining the sanctions imposed, FINRA considered Cantor’s prior disciplinary history relating to Reg SHO, that the misconduct occurred over approximately a five-year period, the firm’s failure to address red flags in a timely manner, the continuing supervision deficiencies, as well as the firm’s efforts to improve its supervisory systems. In settling [this matter](#), Cantor neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.