BrokerCheck Report

MCNALLY FINANCIAL SERVICES CORPORATION

CRD# 121196

When communicating online or investing with any professional, make sure you know who you're dealing with. Imposters might link to sites like BrokerCheck from phishing or similar scam websites, or through social media, trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**
- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.
- **Where did this information come from?**
- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.
- **How current is this information?**
- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.
- **What if I want to check the background of an investment adviser firm or investment adviser representative?**
- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at https://www.adviserinfo.sec.gov. In the alternative, you may search the IAPD website directly or contact your state securities regulator at http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414.
- **Are there other resources I can use to check the background of investment professionals?**
- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.

Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org

For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.

MCNALLY FINANCIAL SERVICES CORPORATION

CRD# 121196

SEC# 8-65388

Main Office Location

16414 SAN PEDRO
SUITE 930
SAN ANTONIO, TX 78232
Regulated by FINRA Dallas Office

Mailing Address

P.O. BOX 701928
SAN ANTONIO, TX 78270-1928

Business Telephone Number

210-545-7080

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

https://www.adviserinfo.sec.gov

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Texas on 04/11/2002.

Its fiscal year ends in March.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 44 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 15 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	5

Firm Profile

This firm is classified as a corporation.

This firm was formed in Texas on 04/11/2002.

Its fiscal year ends in March.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

MCNALLY FINANCIAL SERVICES CORPORATION

Doing business as MCNALLY FINANCIAL SERVICES CORPORATION

CRD# 121196

SEC# 8-65388

Main Office Location

16414 SAN PEDRO
SUITE 930
SAN ANTONIO, TX 78232

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Business Telephone Number

210-545-7080

Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any):	MCNALLY, DAVID DORN 839798
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF EXECUTIVE OFFICER; CHIEF COMPLIANCE OFFICER
Position Start Date	04/2002
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

No information reported.

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.

Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 1 SRO and 44 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	09/27/2002

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	09/27/2002

Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	05/04/2010
Alaska	Approved	02/04/2016
Arizona	Approved	03/17/2008
Arkansas	Approved	08/21/2012
California	Approved	02/26/2004
Colorado	Approved	04/21/2010
Connecticut	Approved	04/23/2007
Delaware	Approved	04/20/2022
District of Columbia	Approved	06/07/2010
Florida	Approved	09/14/2005
Georgia	Approved	02/23/2007
Hawaii	Approved	09/21/2010
Idaho	Approved	02/08/2013
Illinois	Approved	03/15/2023
Indiana	Approved	12/05/2019
Kansas	Approved	10/20/2015
Kentucky	Approved	04/12/2010
Louisiana	Approved	01/25/2016
Maryland	Approved	07/31/2007
Massachusetts	Approved	04/08/2010
Michigan	Approved	04/22/2011
Minnesota	Approved	08/23/2018
Mississippi	Approved	05/15/2008
Missouri	Approved	01/26/2011
Nebraska	Approved	04/28/2010
Nevada	Approved	09/18/2009
New Jersey	Approved	12/10/2008
New Mexico	Approved	11/16/2009
New York	Approved	04/16/2007
North Carolina	Approved	04/28/2010
North Dakota	Approved	02/19/2019
Ohio	Approved	04/26/2018
Oklahoma	Approved	07/25/2013

U.S. States & Territories	Status	Date Effective
Oregon	Approved	08/24/2007
Pennsylvania	Approved	05/05/2010
South Carolina	Approved	04/20/2010
Tennessee	Approved	01/23/2020
Texas	Approved	07/31/2002
Utah	Approved	09/19/2017
Virginia	Approved	08/18/2009
Washington	Approved	08/21/2008
West Virginia	Approved	04/22/2010
Wisconsin	Approved	12/20/2019
Wyoming	Approved	01/28/2026

Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 15 types of businesses.

Types of Business
Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund retailer
U S. government securities broker
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Solicitor of time deposits in a financial institution
Put and call broker or dealer or option writer
Investment advisory services
Broker or dealer selling tax shelters or limited partnerships in primary distributions
Broker or dealer selling tax shelters or limited partnerships in the secondary market
Non-exchange member arranging for transactions in listed securities by exchange member
Private placements of securities
Broker or dealer involved in a networking, kiosk or similar arrangment with a: bank, savings bank or association, or credit union

Firm Operations

Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
Effective Date:	09/23/2002
Description:	CLEARING ARRANGEMENT WITH PERSHING EFFECTIVE 09/23/2002

Firm Operations

Industry Arrangements

This firm does not have books or records maintained by a third party.

This firm does not have accounts, funds, or securities maintained by a third party.

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.

Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- **in control of**
- **controlled by**
- **or under common control with**

the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

MCNALLY, DAVID D. is under common control with the firm.

CRD #:	122907
Business Address:	16414 SAN PEDRO SUITE 930 SAN ANTONIO, TX 78232
Effective Date:	09/17/2002
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	DAVID D. MCNALLY, IS THE PRESIDENT OF MCNALLY FINANCIAL SERVICES CORPORATION AND ALSO THE ONLY EMPLOYEE OF DAVID D. MCNALLY, CFP AN INVESTMENT ADVISOR.

This firm is not directly or indirectly, controlled by the following:

- **bank holding company**
- **national bank**
- **state member bank of the Federal Reserve System**
- **state non-member bank**
- **savings bank or association**
- **credit union**
- **or foreign bank**

Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	5	0

Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
    - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
    - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
    - A disclosure event may have a status of *pending, on appeal,* or *final.*
        - A "pending" event involves allegations that have not been proven or formally adjudicated.
        - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
        - A "final" event has been concluded and its resolution is not subject to change.
    - A final event generally has a disposition of *adjudicated, settled* or *otherwise resolved.*
        - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
        - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
        - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 5

Reporting Source:	Regulator
Current Status:	Final

Allegations:	MCNALLY'S WRITTEN SUPERVISORY PROCEDURES (THE "PROCEDURES") DID NOT ESTABLISH SUFFICIENT SUITABILITY GUIDELINES FOR THE SALES OF REVERSE CONVERTIBLES. THE PROCEDURES STATED THAT INVESTORS NEED TO BE PRE-QUALIFIED FOR STRUCTURED PRODUCTS, SUCH AS REVERSE CONVERTIBLES, BUT MCNALLY HAD NO SYSTEM IN PLACE TO SUPERVISE THE SALES OF REVERSE CONVERTIBLES PRIOR TO THE TRANSACTIONS BEING EFFECTUATED AND THEREFORE HAD NO WAY TO PRE-QUALIFY INVESTORS. THE ONLY REVIEW CONDUCTED BY MCNALLY WAS DONE AFTER THE TRADES WERE EFFECTUATED. MCNALLY REJECTED ZERO REVERSE CONVERTIBLE PURCHASE REQUESTS FROM JUNE 2020 THROUGH FEBRUARY 2023. MCNALLY'S FAILURE TO ESTABLISH, MAINTAIN, AND ENFORCE A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS AGENTS THAT IS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE TEXAS SECURITIES ACT, THE BOARD RULES, AND ALL APPLICABLE SECURITIES LAWS AND REGULATIONS IS A VIOLATION OF SECTION 115.10 OF THE BOARD RULES. PURSUANT TO SECTION 4007.105(A)(13)(B) OF THE TEXAS SECURITIES ACT, THE AFOREMENTIONED VIOLATION OF A BOARD RULE CONSTITUTES A BASIS FOR THE ISSUANCE OF AN ORDER REPRIMANDING MCNALLY. PURSUANT TO SECTION 4007.108 OF THE TEXAS SECURITIES ACT, THE SECURITIES COMMISSIONER MAY ORDER A DEALER, AGENT, INVESTMENT ADVISER, OR INVESTMENT ADVISER REPRESENTATIVE TO PAY A REFUND TO A CLIENT OR A PURCHASER OF SECURITIES OR SERVICES FROM THE PERSON OR COMPANY AS PROVIDED IN AN AGREED ORDER OR AN ENFORCEMENT ORDER INSTEAD OF OR IN ADDITION TO IMPOSING AN ADMINISTRATIVE PENALTY OR OTHER SANCTIONS.
Initiated By:	TEXAS
Date Initiated:	10/14/2024
Docket/Case Number:	IC-24-CAF-04
URL for Regulatory Action:	HTTPS://SSB.TEXAS.GOV/SITES/DEFAULT/FILES/2024-10/IC_24_CAF_04.PDF
Principal Product Type:	Other
Other Product Type(s):	STRUCTURED PRODUCTS: REVERSE CONVERTIBLES
Principal Sanction(s)/Relief Sought:	Reprimand
Other Sanction(s)/Relief Sought:	IT IS FURTHER ORDERED THAT MARK ALAN KEMP AND MCNALLY FINANCIAL SERVICES CORPORATION REFUND CERTAIN CLIENTS THAT HELD REVERSE CONVERTIBLE NOTES IN THEIR ACCOUNTS PURSUANT TO THE TERMS OF AN UNDERTAKING INCORPORATED BY REFERENCE HEREIN. IT IS FURTHER ORDERED THAT MCNALLY FINANCIAL SERVICES CORPORATION COMPLY WITH THE TERMS OF AN UNDERTAKING INCORPORATED BY REFERENCE HEREIN WHICH REQUIRES MCNALLY

	FINANCIAL SERVICES CORPORATION TO IMPLEMENT CERTAIN PROCEDURES RELATED TO REVERSE CONVERTIBLE NOTES.
Resolution:	Order
Resolution Date:	10/14/2024
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No

Reporting Source:	Firm
Current Status:	Final
Allegations:	MCNALLY'S WRITTEN SUPERVISORY PROCEDURES (THE "PROCEDURES") DID NOT ESTABLISH SUFFICIENT SUITABILITY GUIDELINES FOR THE SALES OF REVERSE CONVERTIBLES. THE PROCEDURES STATED THAT INVESTORS NEED TO BE PRE-QUALIFIED FOR STRUCTURED PRODUCTS, SUCH AS REVERSE CONVERTIBLES, BUT MCNALLY HAD NO SYSTEM IN PLACE TO SUPERVISE THE SALES OF REVERSE CONVERTIBLES PRIOR TO THE TRANSACTIONS BEING EFFECTUATED AND THEREFORE HAD NO WAY TO PRE-QUALIFY INVESTORS. THE ONLY REVIEW CONDUCTED BY MCNALLY WAS DONE AFTER THE TRADES WERE EFFECTUATED. MCNALLY REJECTED ZERO REVERSE CONVERTIBLE PURCHASE REQUESTS FROM JUNE 2020 THROUGH FEBRUARY 2023. MCNALLY'S FAILURE TO ESTABLISH, MAINTAIN, AND ENFORCE A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS AGENTS THAT IS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE TEXAS SECURITIES ACT, THE BOARD RULES, AND ALL APPLICABLE SECURITIES LAWS AND REGULATIONS IS A VIOLATION OF SECTION 115.10 OF THE BOARD RULES. PURSUANT TO SECTION 4007. 105(A)(13)(B) OF THE TEXAS SECURITIES ACT, THE AFOREMENTIONED VIOLATION OF A BOARD RULE CONSTITUTES A BASIS FOR THE ISSUANCE OF AN ORDER REPRIMANDING MCNALLY. PURSUANT TO SECTION 4007.108 OF THE TEXAS SECURITIES ACT, THE SECURITIES COMMISSIONER MAY ORDER A DEALER, AGENT, INVESTMENT ADVISER, OR INVESTMENT ADVISER REPRESENTATIVE TO PAY A REFUND TO A CLIENT OR A PURCHASER OF SECURITIES OR SERVICES FROM THE PERSON OR COMPANY AS PROVIDED IN AN AGREED ORDER OR AN ENFORCEMENT ORDER INSTEAD OF OR IN ADDITION TO IMPOSING AN ADMINISTRATIVE PENALTY OR OTHER SANCTIONS.
Initiated By:	TEXAS

Date Initiated:	10/14/2024
Docket/Case Number:	IC-24-CAF-04
Principal Product Type:	Other
Other Product Type(s):	STRUCTURED PRODUCTS: REVERSE CONVERTIBLES
Principal Sanction(s)/Relief Sought:	Reprimand
Other Sanction(s)/Relief Sought:	IT IS FURTHER ORDERED THAT MARK ALAN KEMP AND MCNALLY FINANCIAL SERVICES CORPORATION REFUND CERTAIN CLIENTS THAT HELD REVERSE CONVERTIBLE NOTES IN THEIR ACCOUNTS PURSUANT TO THE TERMS OF AN UNDERTAKING INCORPORATED BY REFERENCE HEREIN. IT IS FURTHER ORDERED THAT MCNALLY FINANCIAL SERVICES CORPORATION COMPLY WITH THE TERMS OF AN UNDERTAKING INCORPORATED BY REFERENCE HEREIN WHICH REQUIRES MCNALLY FINANCIAL SERVICES CORPORATION TO IMPLEMENT CERTAIN PROCEDURES RELATED TO REVERSE CONVERTIBLE NOTES.
Resolution:	Order
Resolution Date:	10/14/2024
Sanctions Ordered:	Disgorgement/Restitution
Other Sanctions Ordered:	
Sanction Details:	DISGORGEMENT/RESTITUTION IN THE AMOUNT OF 74197.15 WAS IMPOSED AGAINST KEMP AND THE FIRM. PAID 11/14/24
Firm Statement	THE MAJORITY OF KEMP'S CLIENTS WERE ELDERLY INVESTORS ON THE BRINK OR AT THE BEGINNING OF RETIREMENT AND WERE ROLLING OVER THEIR EMPLOYEE-SPONSORED 401KS WHO WERE LOOKING FOR A WAY TO REPLACE THEIR LOSS OF INCOME TO HELP THEM GET THROUGH RETIREMENT. TO REPLACE THE CLIENTS' LOSS OF INCOME, KEMP USED REVERSE CONVERTIBLES, WHICH TYPICALLY GENERATE A HIGHER STREAM OF INCOME THAN IS AVAILABLE FROM OTHER BONDS OR BANK PRODUCTS. KEMP PURCHASED REVERSE CONVERTIBLES IN CERTAIN CLIENT ACCOUNTS AND IN QUANTITIES THAT EXCEEDED THE RISK TOLERANCES THESE CLIENTS WERE WILLING TO ENDURE. KEMP HAD NO REASONABLE BASIS TO BELIEVE THAT RECOMMENDING REVERSE CONVERTIBLES WAS IN THE BEST INTEREST OF HIS CLIENTS. KEMP'S PURCHASING OF HIGH-RISK, COMPLEX REVERSE CONVERTIBLES NOTES THAT WERE LINKED TO VOLATILE EQUITIES IN CERTAIN CLIENT ACCOUNTS WAS UNSUITABLE GIVEN THE CUSTOMERS' RISK TOLERANCE, INVESTMENT OBJECTIVE(S), AND LIMITED INVESTMENT EXPERIENCE AND THEREFORE CONSTITUTES AN INEQUITABLE PRACTICE IN THE SALE OF SECURITIES. PURSUANT TO SECTION 4007.105(A)(3)(A) OF THE TEXAS

	SECURITIES ACT, THE AFOREMENTIONED INEQUITABLE PRACTICE IN THE SALE OF SECURITIES CONSTITUTES A BASIS FOR THE ISSUANCE OF AN ORDER SUSPENDING KEMP'S REGISTRATIONS WITH THE SECURITIES COMMISSIONER. DISGORGEMENT/RESTITUTION IN THE AMOUNT OF 74197.15 WAS IMPOSED. PAID 11/14/24

Disclosure 2 of 5

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE STATE OF NEVADA ALLEGED RESPONDENT FAILED TO COMPLY WITH REQUIREMENTS OF NEVADA'S UNIFORM SECURITIES ACT AND BE IN VIOLATION OF NRS 90.420(1)(I) BY FAILING TO ESTABLISH AND MAINTAIN A REASONABLE SYSTEM TO SUPERVISE A FORMER SALES REPRESENTATIVE.
Initiated By:	STATE OF NEVADA, OFFICE OF THE SECRETARY OF STATE, SECURITIES DIVISION
Date Initiated:	02/09/2022
Docket/Case Number:	INV21-090
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	DISGORGEMENT/RESTITUTION
Resolution:	Consent
Resolution Date:	02/09/2022
Sanctions Ordered:	Monetary/Fine $64,000.00 Disgorgement/Restitution
Other Sanctions Ordered:	
Sanction Details:	THE FIRM PAID A CIVIL PENALTY IN THE AMOUNT OF $50,000 TO THE NEVADA SECRETARY OF STATE. RESPONDENT ALSO PAID $14,000 IN RESTITUTION TO A FORMER CUSTOMER ON FEBRUARY 9, 2022.
Firm Statement	THE FIRM PAID A CIVIL PENALTY IN THE AMOUNT OF $50,000 TO THE NEVADA SECRETARY OF STATE. RESPONDENT ALSO PAID $14,000 IN RESTITUTION TO A FORMER CUSTOMER ON FEBRUARY 9, 2022.

Disclosure 3 of 5

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE IN RELATION TO THE SALE OF NON-TRADITIONAL EXCHANGE TRADED PRODUCTS (NT-ETPS). THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM AND WSPS WERE NOT REASONABLY TAILORED TO ADDRESS THE UNIQUE FEATURES AND RISKS ASSOCIATED WITH NT-ETPS, INCLUDING THE RISKS ASSOCIATED WITH HOLDING NT-ETPS FOR EXTENDED PERIODS OF TIME. THE WSPS PROVIDED NO GUIDANCE REGARDING HOW SUPERVISORS SHOULD DETERMINE WHETHER AN NT-ETP WAS SUITABLE FOR CUSTOMERS GIVEN THE UNIQUE FEATURES AND RISKS OF THOSE PRODUCTS. MOREOVER, THE SOLE PRINCIPAL RESPONSIBLE FOR REVIEWING THE DAILY TRADES OF 25 REGISTERED REPRESENTATIVES HAD NO TOOLS FOR IDENTIFYING NT-ETPS. THE FIRM HAD NO ALERTS, EXCEPTION REPORTS, RESTRICTIONS, OR APPROVAL PROCESS THAT WOULD HAVE DETECTED WHEN NT-ETPS WERE PURCHASED. THE FIRM ALSO HAD NO METHOD FOR MONITORING THE HOLDING PERIODS FOR NT-ETPS. MOREOVER, THE FIRM FAILED TO ENFORCE THE WSPS IT HAD IN PLACE. AS A RESULT, THE FIRM FAILED TO DETECT THAT A REGISTERED REPRESENTATIVE SOLD NT-ETPS TO TWO SENIOR CUSTOMERS WHO HELD THOSE POSITIONS FOR BETWEEN 33 MONTHS AND FOUR YEARS. BECAUSE THE FIRM FAILED TO DETECT THESE TRANSACTIONS AND THEIR RELATED HOLDING PERIODS, IT COULD NOT DETERMINE WHETHER THE TRANSACTIONS WERE SUITABLE FOR THE CUSTOMERS. THE FIRM ALSO FAILED TO DETERMINE WHETHER THE REPRESENTATIVE UNDERSTOOD THE UNIQUE FEATURES AND SPECIFIC RISKS ASSOCIATED WITH NT-ETPS AND THEREFORE COULD NOT DETERMINE WHETHER THE REPRESENTATIVE LACKED A REASONABLE BASIS FOR MAKING THE RECOMMENDATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE THE REGISTERED REPRESENTATIVE'S RECOMMENDATIONS OF COMPLEX OPTIONS TRADING. THE FIRM WAS AWARE OF RED FLAGS IN THE RISKY OPTIONS TRADING BUT FAILED TO REASONABLY INVESTIGATE WHETHER THE TRADING WAS SUITABLE FOR THE CUSTOMERS. THE REPRESENTATIVE RECOMMENDED VARIOUS FORMS OF OPTIONS SPREAD STRATEGIES TO MULTIPLE CUSTOMERS THAT INVOLVED PURCHASING NUMEROUS OPTIONS CONTRACTS AT DIFFERENT STRIKE PRICES AND THE SAME EXPIRATION DATES. THE

COMMON GOAL WAS TO LIMIT RISK WITH A KNOWN MAXIMUM LOSS AS WELL AS A MAXIMUM PROFIT. HOWEVER, SOME OF THE TRADES PRESENTED AN UNREASONABLE RISK SINCE THE POTENTIAL MAXIMUM LOSS WAS AS MUCH AS NINE TIMES GREATER THAN THE MAXIMUM PROFIT. IN SOME CASES, THE OVERALL POSITIONS GUARANTEED A LOSS. THE FIRM'S WSPS REQUIRED THE FIRM TO REVIEW EACH OPTIONS TRANSACTION TO DETERMINE SUITABILITY. HOWEVER, THE FIRM FAILED TO REASONABLY SUPERVISE THE REPRESENTATIVE'S ACTIVITIES AND CUSTOMER ACCOUNTS TO TIMELY DETECT WHETHER THESE COMPLEX OPTIONS TRANSACTIONS WERE COMPATIBLE WITH THE INVESTMENT OBJECTIVES OF EACH CUSTOMER. SPECIFICALLY, THE FIRM FAILED TO RECOGNIZE THAT THE REPRESENTATIVE USED THE SAME OPTIONS TRADING STRATEGY FOR CUSTOMERS REGARDLESS OF THE CUSTOMER'S AGE, NET WORTH, AND INVESTMENT EXPERIENCE. THE FIRM DID NOT REVIEW THE FREQUENCY OF OPTIONS TRADING RECOMMENDED BY THE REPRESENTATIVE TO DETERMINE WHETHER THE SIZE AND FREQUENCY OF OPTIONS TRANSACTIONS WERE SUITABLE FOR EACH CUSTOMER. THE FIRM HAS SINCE EFFECTIVELY BANNED ALL SALES OF NT-ETPS AND PROHIBITED ITS REPRESENTATIVES FROM OFFERING COMPLEX OPTIONS TRADING STRATEGIES.

Initiated By:	FINRA
Date Initiated:	11/23/2021
Docket/Case Number:	2018058820103
Principal Product Type:	Options
Other Product Type(s):	NON-TRADITIONAL EXCHANGE TRADED PRODUCTS (NT-ETPS)
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/23/2021
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $35,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED $35,000, AND REQUIRED TO REVISE ITS WSPS. FINE PAID IN FULL ON DECEMBER 16, 2021.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE IN RELATION TO THE SALE OF NON-TRADITIONAL EXCHANGE TRADED PRODUCTS (NT-ETPS). THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM AND WSPS WERE NOT REASONABLY TAILORED TO ADDRESS THE UNIQUE FEATURES AND RISKS ASSOCIATED WITH NT-ETPS, INCLUDING THE RISKS ASSOCIATED WITH HOLDING NT-ETPS FOR EXTENDED PERIODS OF TIME. THE WSPS PROVIDED NO GUIDANCE REGARDING HOW SUPERVISORS SHOULD DETERMINE WHETHER AN NT-ETP WAS SUITABLE FOR CUSTOMERS GIVEN THE UNIQUE FEATURES AND RISKS OF THOSE PRODUCTS. MOREOVER, THE SOLE PRINCIPAL RESPONSIBLE FOR REVIEWING THE DAILY TRADES OF 25 REGISTERED REPRESENTATIVES HAD NO TOOLS FOR IDENTIFYING NT-ETPS. THE FIRM HAD NO ALERTS, EXCEPTION REPORTS, RESTRICTIONS, OR APPROVAL PROCESS THAT WOULD HAVE DETECTED WHEN NT-ETPS WERE PURCHASED. THE FIRM ALSO HAD NO METHOD FOR MONITORING THE HOLDING PERIODS FOR NT-ETPS. MOREOVER, THE FIRM FAILED TO ENFORCE THE WSPS IT HAD IN PLACE. AS A RESULT, THE FIRM FAILED TO DETECT THAT A REGISTERED REPRESENTATIVE SOLD NT-ETPS TO TWO SENIOR CUSTOMERS WHO HELD THOSE POSITIONS FOR BETWEEN 33 MONTHS AND FOUR YEARS. BECAUSE THE FIRM FAILED TO DETECT THESE TRANSACTIONS AND THEIR RELATED HOLDING PERIODS, IT COULD NOT DETERMINE WHETHER THE TRANSACTIONS WERE SUITABLE FOR THE CUSTOMERS. THE FIRM ALSO FAILED TO DETERMINE WHETHER THE REPRESENTATIVE UNDERSTOOD THE UNIQUE FEATURES AND SPECIFIC RISKS ASSOCIATED WITH NT-ETPS AND THEREFORE COULD NOT DETERMINE WHETHER THE REPRESENTATIVE LACKED A REASONABLE BASIS FOR MAKING THE RECOMMENDATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE THE REGISTERED REPRESENTATIVE'S RECOMMENDATIONS OF COMPLEX OPTIONS TRADING. THE FIRM WAS AWARE OF RED FLAGS IN THE RISKY OPTIONS TRADING BUT FAILED TO REASONABLY INVESTIGATE WHETHER THE TRADING WAS SUITABLE FOR THE CUSTOMERS. THE REPRESENTATIVE RECOMMENDED VARIOUS

FORMS OF OPTIONS SPREAD STRATEGIES TO MULTIPLE CUSTOMERS THAT INVOLVED PURCHASING NUMEROUS OPTIONS CONTRACTS AT DIFFERENT STRIKE PRICES AND THE SAME EXPIRATION DATES. THE COMMON GOAL WAS TO LIMIT RISK WITH A KNOWN MAXIMUM LOSS AS WELL AS A MAXIMUM PROFIT. HOWEVER, SOME OF THE TRADES PRESENTED AN UNREASONABLE RISK SINCE THE POTENTIAL MAXIMUM LOSS WAS AS MUCH AS NINE TIMES GREATER THAN THE MAXIMUM PROFIT. IN SOME CASES, THE OVERALL POSITIONS GUARANTEED A LOSS. THE FIRM'S WSPS REQUIRED THE FIRM TO REVIEW EACH OPTIONS TRANSACTION TO DETERMINE SUITABILITY. HOWEVER, THE FIRM FAILED TO REASONABLY SUPERVISE THE REPRESENTATIVE'S ACTIVITIES AND CUSTOMER ACCOUNTS TO TIMELY DETECT WHETHER THESE COMPLEX OPTIONS TRANSACTIONS WERE COMPATIBLE WITH THE INVESTMENT OBJECTIVES OF EACH CUSTOMER. SPECIFICALLY, THE FIRM FAILED TO RECOGNIZE THAT THE REPRESENTATIVE USED THE SAME OPTIONS TRADING STRATEGY FOR CUSTOMERS REGARDLESS OF THE CUSTOMER'S AGE, NET WORTH, AND INVESTMENT EXPERIENCE. THE FIRM DID NOT REVIEW THE FREQUENCY OF OPTIONS TRADING RECOMMENDED BY THE REPRESENTATIVE TO DETERMINE WHETHER THE SIZE AND FREQUENCY OF OPTIONS TRANSACTIONS WERE SUITABLE FOR EACH CUSTOMER. THE FIRM HAS SINCE EFFECTIVELY BANNED ALL SALES OF NT-ETPS AND PROHIBITED ITS REPRESENTATIVES FROM OFFERING COMPLEX OPTIONS TRADING STRATEGIES.

Initiated By:	FINRA
Date Initiated:	11/23/2021
Docket/Case Number:	2018058820103
Principal Product Type:	Options
Other Product Type(s):	NON-TRADITIONAL EXCHANGE TRADED PRODUCTS (NT-ETPS)
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/23/2021
Sanctions Ordered:	Censure Monetary/Fine $35,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED $35,000, AND REQUIRED TO REVISE ITS

WSPS.

Disclosure 4 of 5

Reporting Source:	Regulator
Current Status:	Final
Allegations:	FINRA RULE 2010, NASD RULE 3010: THE FIRM RECOMMENDED AND SOLD STEEPENERS THAT ARE COMPLEX, NON-CONVENTIONAL PRODUCTS, TO ITS CUSTOMERS. THE SALE OF STEEPENERS WAS A SIGNIFICANT PART OF THE FIRM'S BUSINESS. NEVERTHELESS, THE FIRM HAD NO SPECIFIC SUPERVISORY SYSTEMS OR PROCEDURES REGARDING THE SALE OF STEEPENERS. THE FIRM RELIED ON ITS GENERAL SUPERVISORY SYSTEM TO SUPERVISE TRANSACTIONS IN STEEPENERS. ITS GENERAL SUPERVISORY SYSTEM, HOWEVER, WAS NOT SUFFICIENTLY TAILORED TO ADDRESS THE UNIQUE FEATURES AND RISKS INVOLVED WITH THESE STRUCTURED PRODUCTS, SUCH AS LONG-TERM HOLDING PERIODS, THE CALLABLE NATURE OF THE PRODUCT, ILLIQUID SECONDARY MARKET, AND VARIABLE INTEREST RATES THAT CAN BE ZERO. SIMILARLY, OTHER THAN DEFINING STRUCTURED PRODUCTS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES PROVIDED NO TAILORED PROCEDURES RELATING TO STEEPENERS. STEEPENERS ARE TYPICALLY LONGER-TERM NOTES AND CERTIFICATES OF DEPOSIT WITH 10 TO 20 YEAR MATURITY DATES. STEEPENERS PAY INTEREST RATES THAT ARE FIXED INITIALLY AND FLOAT THEREAFTER BASED ON THE STEEPNESS OF THE YIELD CURVE. THE STEEPER THE YIELD CURVE, OR WIDER THE SPREAD BETWEEN LONG- AND SHORT-TERM INTEREST RATES (TYPICALLY, THE BENCHMARK RATE IS THE CONSTANT MATURITY SWAP RATE), THE HIGHER THE INTEREST RATE PAID. CONVERSELY, THE FLATTER THE YIELD CURVE, OR NARROWER THE SPREAD BETWEEN LONG-AND SHORT-TERM RATES, THE LOWER THE INTEREST RATE PAID. STEEPENERS ARE TYPICALLY CALLABLE BY THE ISSUERS AFTER A RELATIVELY SHORT, PRE-SPECIFIED PERIOD OF TIME (E.G., ONE YEAR).
Initiated By:	FINRA
Date Initiated:	07/18/2013
Docket/Case Number:	2011025617101
Principal Product Type:	Other
Other Product Type(s):	STEEPENERS:LONGER-TERM NOTES AND CERTIFICATES OF DEPOSIT
Principal Sanction(s)/Relief Sought:	Other

Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	07/18/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $15,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED $15,000. FINE PAID IN FULL ON JULY 31, 2013.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA RULE 2010, NASD RULE 3010: THE FIRM RECOMMENDED AND SOLD STEEPENERS THAT ARE COMPLEX, NON-CONVENTIONAL PRODUCTS, TO ITS CUSTOMERS. THE SALE OF STEEPENERS WAS A SIGNIFICANT PART OF THE FIRM'S BUSINESS. NEVERTHELESS, THE FIRM HAD NO SPECIFIC SUPERVISORY SYSTEMS OR PROCEDURES REGARDING THE SALE OF STEEPENERS. THE FIRM RELIED ON ITS GENERAL SUPERVISORY SYSTEM TO SUPERVISE TRANSACTIONS IN STEEPENERS. ITS GENERAL SUPERVISORY SYSTEM, HOWEVER, WAS NOT SUFFICIENTLY TAILORED TO ADDRESS THE UNIQUE FEATURES AND RISKS INVOLVED WITH THESE STRUCTURED PRODUCTS, SUCH AS LONG-TERM HOLDING PERIODS, THE CALLABLE NATURE OF THE PRODUCT, ILLIQUID SECONDARY MARKET, AND VARIABLE INTEREST RATES THAT CAN BE ZERO. SIMILARLY, OTHER THAN DEFINING STRUCTURED PRODUCTS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES PROVIDED NO TAILORED PROCEDURES RELATING TO STEEPENERS. STEEPENERS ARE TYPICALLY LONGER-TERM NOTES AND CERTIFICATES OF DEPOSIT WITH 10 TO 20 YEAR MATURITY DATES. STEEPENERS PAY INTEREST RATES THAT ARE FIXED INITIALLY AND FLOAT THEREAFTER BASED ON THE STEEPNESS OF THE YIELD CURVE. THE STEEPER THE YIELD CURVE, OR WIDER THE SPREAD BETWEEN LONG- AND SHORT-TERM INTEREST RATES (TYPICALLY, THE BENCHMARK RATE

	IS THE CONSTANT MATURITY SWAP RATE), THE HIGHER THE INTEREST RATE PAID. CONVERSELY, THE FLATTER THE YIELD CURVE, OR NARROWER THE SPREAD BETWEEN LONG-AND SHORT-TERM RATES, THE LOWER THE INTEREST RATE PAID. STEEPENERS ARE TYPICALLY CALLABLE BY THE ISSUERS AFTER A RELATIVELY SHORT, PRE-SPECIFIED PERIOD OF TIME (E.G., ONE YEAR).
Initiated By:	FINRA
Date Initiated:	07/18/2013
Docket/Case Number:	2011025617101
Principal Product Type:	Other
Other Product Type(s):	STEEPNERS: LONGER-TERM NOTES AND CERTIFICATES OF DEPOSIT
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	07/18/2013
Sanctions Ordered:	Censure Monetary/Fine $15,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED $15,000.
Firm Statement	THE WSP'S HAVE BEEN AMENDED TO INCLUDE STEEPNER NOTES.

Disclosure 5 of 5

Reporting Source:	Regulator
Current Status:	Final
Allegations:	RESPONDENT'S ACTIVITIES AMOUNTED TO PAYING AN UNLICENSED SALES REPRESENTATIVE IN THE STATE OF NEVADA IN VIOLATION OF NRS 90.310
Initiated By:	NEVADA
Date Initiated:	04/15/2011
Docket/Case Number:	I10-232 BLM

URL for Regulatory Action:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	04/15/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine $2,500.00
Other Sanctions Ordered:	FEE FOR INSPECTION OF RECORDS - $200
Sanction Details:	FINE AND FEES PAID IN FULL
Regulator Statement	CONTACT THE DIVISION WITH ANY QUESTIONS

Reporting Source:	Firm
Current Status:	Final
Allegations:	RESPONDENT'S ACTIVITIES AMOUNTED TO PAYING AN UNLICENSED SALES REPRESENTATIVE IN THE STATE OF NEVADA IN VIOLATION OF NRS 90.310.
Initiated By:	STATE OF NEVADA, OFFICE OF THE SECRETARY OF STATE, SECURITIES DIVISION
Date Initiated:	04/15/2011
Docket/Case Number:	I10-232 BLM
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	04/15/2011
Sanctions Ordered:	Monetary/Fine $2,500.00
Other Sanctions Ordered:	FEE FOR INSPECTION OF RECORDS - $200.00
Sanction Details:	FINE AND FEES PAID IN FULL

End of Report

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