

BrokerCheck Report

AMERICAN INDEPENDENT SECURITIES GROUP, LLC

CRD# 135288

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

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:

- o 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
- o 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.](http://www.finra.org)

**AMERICAN INDEPENDENT
SECURITIES GROUP, LLC**

CRD# 135288

SEC# 8-66905

Main Office Location

664 S RIVERSHORE LANE
SUITE 150
EAGLE, ID 83616
Regulated by FINRA Denver Office

Mailing Address

PO BOX 579
EAGLE, ID 83616

Business Telephone Number

208 489-3131

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 limited liability company.

This firm was formed in Idaho on 12/30/2004.

Its fiscal year ends in December.

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
- 47 U.S. states and territories

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

This firm conducts 14 types of businesses.

This firm is not affiliated with any 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	1



Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Idaho on 12/30/2004.

Its fiscal year ends in December.

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.

AMERICAN INDEPENDENT SECURITIES GROUP, LLC

Doing business as AMERICAN INDEPENDENT SECURITIES GROUP, LLC

CRD# 135288

SEC# 8-66905

Main Office Location

664 S RIVERSHORE LANE
SUITE 150
EAGLE, ID 83616

Regulated by FINRA Denver Office

Mailing Address

PO BOX 579
EAGLE, ID 83616

Business Telephone Number

208 489-3131



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):	SELLIN, THOMAS CLIFFORD 808358
Is this a domestic or foreign entity or an individual?	Individual
Position	PRINCIPAL, MEMBER, PRESIDENT, CHIEF EXECUTIVE OFFICER
Position Start Date	12/2004
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	CARLSON, RYAN SHANE 4209072
Is this a domestic or foreign entity or an individual?	Individual
Position	MEMBER
Position Start Date	12/2004
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	FAXON, REYHEENA MARIA 4219599
Is this a domestic or foreign entity or an individual?	Individual
Position	PRINCIPAL, FINOP

Firm Profile



Direct Owners and Executive Officers (continued)

Position Start Date 04/2021

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): KERBEIN, SHEILA A
5571772

Is this a domestic or foreign entity or an individual? Individual

Position PRINCIPAL, CHIEF COMPLIANCE OFFICER

Position Start Date 04/2021

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): THOMAS, JOSEPH ALLISON JR
1484206

Is this a domestic or foreign entity or an individual? Individual

Position MUNICIPAL PRICIPAL, REGISTERED OPTIONS AND SECURITIES FUTURES
PRINCIPAL ,MEMBER

Position Start Date 07/2011

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Firm Profile



Direct Owners and Executive Officers (continued)

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 47 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	08/18/2005

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	08/18/2005



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	05/12/2014
Alaska	Approved	03/10/2006
Arizona	Approved	01/01/2006
Arkansas	Approved	06/28/2006
California	Approved	08/26/2005
Colorado	Approved	10/11/2005
Connecticut	Approved	11/02/2010
Florida	Approved	10/13/2005
Georgia	Approved	08/18/2006
Hawaii	Approved	08/14/2006
Idaho	Approved	08/19/2005
Illinois	Approved	10/21/2005
Indiana	Approved	03/29/2006
Iowa	Approved	04/16/2008
Kansas	Approved	11/24/2008
Louisiana	Approved	05/03/2010
Maine	Approved	03/10/2009
Maryland	Approved	01/23/2015
Massachusetts	Approved	05/11/2021
Michigan	Approved	10/10/2005
Minnesota	Approved	04/09/2008
Mississippi	Approved	03/09/2006
Missouri	Approved	09/22/2008
Montana	Approved	09/06/2005
Nebraska	Approved	08/06/2009
Nevada	Approved	02/10/2006
New Hampshire	Approved	09/04/2020
New Jersey	Approved	10/02/2007
New Mexico	Approved	10/12/2005
New York	Approved	08/27/2007
North Carolina	Approved	10/06/2005
North Dakota	Approved	09/24/2007
Ohio	Approved	10/17/2006

U.S. States & Territories	Status	Date Effective
Oklahoma	Approved	04/21/2021
Oregon	Approved	09/07/2005
Pennsylvania	Approved	06/18/2010
Rhode Island	Approved	08/07/2020
South Carolina	Approved	11/25/2008
South Dakota	Approved	08/21/2008
Tennessee	Approved	09/20/2010
Texas	Approved	07/26/2006
Utah	Approved	10/06/2005
Vermont	Approved	03/04/2009
Virginia	Approved	05/31/2006
Washington	Approved	08/26/2005
Wisconsin	Approved	06/09/2006
Wyoming	Approved	07/17/2008



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 14 types of businesses.

Types of Business

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Mutual fund retailer
- U S. government securities broker
- Municipal securities broker
- Broker or dealer selling variable life insurance or annuities
- Broker or dealer selling oil and gas interests
- Put and call broker or dealer or option writer
- Investment advisory services
- Broker or dealer selling tax shelters or limited partnerships in primary distributions
- 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 arrangement with a: bank, savings bank or association, or credit union
- Broker or dealer involved in a networking, kiosk or similar arrangement with a: insurance company or agency

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: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: 60 SOUTH SIXTH STREET
MINNEAPOLIS, MN 55402
Effective Date: 01/17/2007
Description: AMERICAN INDEPENDENT SECURITIES GROUP, LLC HAS ENTERED INTO AN INTRODUCING/CLEARING AGREEMENT WITH RBC CAPITAL MARKETS, LLC FOR THE EXECUTION AND CLEARING OF ALL SECURITIES TRANSACTIONS AS WELL AS CUSTODY OF SECURITIES.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: 60 SOUTH SIXTH STREET
 MINNEAPOLIS, MN 55402
Effective Date: 01/17/2007
Description: AMERICAN INDEPENDENT SECURITIES GROUP, LLC HAS ENTERED INTO AN INTRODUCING/CLEARING AGREEMENT WITH RBC CAPITAL MARKETS, LLC FOR THE EXECUTION AND CLEARING OF ALL SECURITIES TRANSACTIONS AS WELL AS CUSTODY OF SECURITIES.

This firm does have accounts, funds, or securities maintained by a third party.

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: 60 SOUTH SIXTH STREET
 MINNEAPOLIS, MN 55402
Effective Date: 01/17/2007
Description: AMERICAN INDEPENDENT SECURITIES GROUP, LLC HAS ENTERED INTO AN INTRODUCING/CLEARING AGREEMENT WITH RBC CAPITAL MARKETS, LLC FOR THE EXECUTION AND CLEARING OF ALL SECURITIES TRANSACTIONS AS WELL AS CUSTODY OF SECURITIES.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: 60 SOUTH SIXTH STREET
 MINNEAPOLIS, MN 55402
Effective Date: 01/17/2007
Description: AMERICAN INDEPENDENT SECURITIES GROUP, LLC HAS ENTERED INTO AN INTRODUCING/CLEARING AGREEMENT WITH RBC CAPITAL MARKETS, LLC FOR THE EXECUTION AND CLEARING OF ALL SECURITIES TRANSACTIONS AS WELL AS CUSTODY OF SECURITIES.

Control Persons/Financing

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

Firm Operations



Industry Arrangements (continued)

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 not, 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.

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	1	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:**
 - o 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:**
 - o 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:**
 - o 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.
 - o 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 1

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, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE RULES RELATING TO SALES OF COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS). THE FINDINGS STATED THAT THE FIRM DID NOT ESTABLISH ANY PROCEDURES RELATED TO CMO TRANSACTIONS OR THE SUITABILITY OF CMO RECOMMENDATIONS. THERE WAS NO REASONABLE PROCESS TO EVALUATE AND DETERMINE WHETHER INVERSE FLOATERS (IFS) WERE APPROPRIATE FOR A GIVEN CUSTOMER OR TO ASSESS THE SIZE OF THE CMO INVESTMENT. THERE WAS ALSO NO GUIDANCE ADDRESSING TO WHOM CMOS COULD BE OFFERED, THE EXTENT TO WHICH A CUSTOMER'S ACCOUNT COULD BE CONCENTRATED IN IFS OR OTHER CMOS, OR THE PERCENTAGE OF A CUSTOMER'S NET WORTH THAT COULD BE INVESTED IN CMOS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE. THE FIRM'S CHIEF COMPLIANCE OFFICER (CCO) DELEGATED TO A FIRM PRINCIPAL THE RESPONSIBILITY OF SUPERVISING THE REPRESENTATIVE. ALTHOUGH THE FIRM DID NOT HAVE ANY WSPS ADDRESSING CMO TRANSACTIONS, THE PRINCIPAL IGNORED MULTIPLE RED FLAGS THAT SHOULD HAVE ALERTED HIM THAT THE REPRESENTATIVE'S IF RECOMMENDATIONS WERE POTENTIALLY UNSUITABLE. IN PARTICULAR, IFS WERE RISKY AND ILLIQUID PRODUCTS THAT WERE INCONSISTENT WITH THE CUSTOMERS' INVESTMENT OBJECTIVES AND RISK TOLERANCES, THE REPRESENTATIVE'S CUSTOMER ACCOUNTS WERE ENTIRELY CONCENTRATED IN IFS, TRANSACTIONS WERE FLAGGED IN THE FIRM'S TRADE REVIEW SYSTEM, A MAJORITY OF THE CUSTOMERS WERE SENIORS, MANY ACCOUNT HOLDERS HAD LIMITED INCOME AND NET WORTH, AND THE CUSTOMERS PURCHASED THE SAME CMOS AT THE SAME TIME. THE PRINCIPAL SHOULD HAVE FOLLOWED UP ON THESE RED FLAGS BUT FAILED TO TAKE REASONABLE ACTION. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO TAKE REASONABLE ACTION TO ENSURE THE PRINCIPAL PROPERLY EXECUTED DELEGATED RESPONSIBILITIES AND FAILED TO RESPOND TO RED FLAGS. THE CCO DELEGATED TO THE PRINCIPAL THE RESPONSIBILITY FOR SUPERVISING THE REGISTERED REPRESENTATIVE AND THEREFORE WAS RESPONSIBLE FOR ENSURING THE PRINCIPAL PROPERLY EXECUTED THAT RESPONSIBILITY. THE CCO SHOULD HAVE BEEN CONCERNED ABOUT THE REPRESENTATIVE'S RECOMMENDATIONS AND THE PRINCIPAL'S SUPERVISION OF THEM AND SHOULD HAVE ACTED ON THOSE CONCERNS. THE CCO WAS AWARE OF THE RED FLAGS AND KNEW THAT THE PRINCIPAL SUPERVISED THE REPRESENTATIVE'S ACTIVITY EVEN THOUGH HE HAD NO SPECIALIZED TRAINING RELATING TO CMOS AND IFS AND NO PRIOR EXPERIENCE SUPERVISING SALES OF THE PRODUCT. THE CCO ALSO WAS AWARE THAT THE REPRESENTATIVE'S TRANSACTIONS SET OFF



ALERTS IN THE FIRM'S TRADE REVIEW SYSTEM. NONETHELESS, THE CCO DID NOT FOLLOW UP ON THESE RED FLAGS AND TOOK NO ACTION TO ADDRESS THE SUITABILITY ISSUES OR ENSURE THAT THE SUPERVISORY RESPONSIBILITIES HE HAD DELEGATED WERE REASONABLY EXERCISED. FINRA FOUND THAT THE FIRM FAILED TO REASONABLY SUPERVISE DISCRETIONARY AND SENIOR ACCOUNTS. THE FIRM PROCEDURES ASSIGNED TO THE CCO RESPONSIBILITY FOR ENSURING THAT THE FIRM CONSIDERED AN INDIVIDUAL'S INVESTMENT OBJECTIVES, EXPERIENCE, AND ACCOUNT SIZE BEFORE OPENING A DISCRETIONARY ACCOUNT AND DOCUMENTED ITS RATIONALE, ORDER TICKETS NOTED WHETHER DISCRETION WAS EXERCISED, DISCRETIONARY ACCOUNTS WERE REVIEWED SEMI-ANNUALLY TO ENSURE RECOMMENDATIONS WERE SUITABLE AND ACCOUNTS WERE NOT UNDULY CONCENTRATED, AND PRINCIPALS OF THE FIRM SPOKE WITH EACH DISCRETIONARY ACCOUNT CLIENT ANNUALLY TO DETERMINE LEVELS OF SATISFACTION AND DOCUMENTED THE CONVERSATIONS. THE PROCEDURES ALSO ASSIGNED TO THE CCO RESPONSIBILITY FOR ENSURING THAT THE FIRM CONDUCTED AN ANNUAL REVIEW OF SENIOR ACCOUNTS. HOWEVER, THE FIRM DID NOT DOCUMENT ITS RATIONALE FOR OPENING DISCRETIONARY ACCOUNTS, ORDER TICKETS FAILED TO NOTE WHETHER DISCRETION WAS EXERCISED, FIRM PRINCIPALS DID NOT SPEAK WITH DISCRETIONARY ACCOUNT CLIENTS, AND NOBODY CONDUCTED THE REVIEWS OF DISCRETIONARY AND SENIOR ACCOUNTS.

Initiated By: FINRA

Date Initiated: 03/29/2021

Docket/Case Number: [2018060267902](#)

Principal Product Type: Other

Other Product Type(s): CMO

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2021

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
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND ORDERED TO PAY PARTIAL RESTITUTION TO CUSTOMERS OF \$275,000. FINRA IMPOSED PARTIAL RESTITUTION AND NO FINE AFTER CONSIDERING, AMONG OTHER THINGS, THE FIRM'S FINANCIAL RESOURCES.

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, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE RULES RELATING TO SALES OF COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS). THE FINDINGS STATED THAT THE FIRM DID NOT ESTABLISH ANY PROCEDURES RELATED TO CMO TRANSACTIONS OR THE SUITABILITY OF CMO RECOMMENDATIONS. THERE WAS NO REASONABLE PROCESS TO EVALUATE AND DETERMINE WHETHER INVERSE FLOATERS (IFS) WERE APPROPRIATE FOR A GIVEN CUSTOMER OR TO ASSESS THE SIZE OF THE CMO INVESTMENT. THERE WAS ALSO NO GUIDANCE ADDRESSING TO WHOM CMOS COULD BE OFFERED, THE EXTENT TO WHICH A CUSTOMER'S ACCOUNT COULD BE CONCENTRATED IN IFS OR OTHER CMOS, OR THE PERCENTAGE OF A CUSTOMER'S NET WORTH THAT COULD BE INVESTED IN CMOS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE. THE FIRM'S CHIEF COMPLIANCE OFFICER (CCO) DELEGATED TO A FIRM PRINCIPAL THE RESPONSIBILITY OF SUPERVISING THE REPRESENTATIVE. ALTHOUGH THE FIRM DID NOT HAVE ANY WSPS ADDRESSING CMO TRANSACTIONS, THE PRINCIPAL IGNORED MULTIPLE RED FLAGS THAT SHOULD HAVE ALERTED HIM THAT THE REPRESENTATIVE'S IF RECOMMENDATIONS WERE POTENTIALLY UNSUITABLE. IN PARTICULAR, IFS WERE RISKY AND ILLIQUID PRODUCTS THAT WERE INCONSISTENT WITH THE CUSTOMERS' INVESTMENT OBJECTIVES AND RISK TOLERANCES, THE REPRESENTATIVE'S CUSTOMER ACCOUNTS WERE ENTIRELY CONCENTRATED IN IFS, TRANSACTIONS WERE FLAGGED IN THE FIRM'S TRADE REVIEW SYSTEM, A MAJORITY OF THE CUSTOMERS WERE SENIORS, MANY ACCOUNT HOLDERS HAD LIMITED INCOME AND NET WORTH, AND THE CUSTOMERS PURCHASED THE SAME CMOS AT THE SAME TIME. THE PRINCIPAL SHOULD HAVE FOLLOWED UP ON THESE RED FLAGS BUT FAILED TO TAKE REASONABLE ACTION. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO TAKE



REASONABLE ACTION TO ENSURE THE PRINCIPAL PROPERLY EXECUTED DELEGATED RESPONSIBILITIES AND FAILED TO RESPOND TO RED FLAGS. THE CCO DELEGATED TO THE PRINCIPAL THE RESPONSIBILITY FOR SUPERVISING THE REGISTERED REPRESENTATIVE AND THEREFORE WAS RESPONSIBLE FOR ENSURING THE PRINCIPAL PROPERLY EXECUTED THAT RESPONSIBILITY. THE CCO SHOULD HAVE BEEN CONCERNED ABOUT THE REPRESENTATIVE'S RECOMMENDATIONS AND THE PRINCIPAL'S SUPERVISION OF THEM AND SHOULD HAVE ACTED ON THOSE CONCERNS. THE CCO WAS AWARE OF THE RED FLAGS AND KNEW THAT THE PRINCIPAL SUPERVISED THE REPRESENTATIVE'S ACTIVITY EVEN THOUGH HE HAD NO SPECIALIZED TRAINING RELATING TO CMOS AND IFS AND NO PRIOR EXPERIENCE SUPERVISING SALES OF THE PRODUCT. THE CCO ALSO WAS AWARE THAT THE REPRESENTATIVE'S TRANSACTIONS SET OFF ALERTS IN THE FIRM'S TRADE REVIEW SYSTEM. NONETHELESS, THE CCO DID NOT FOLLOW UP ON THESE RED FLAGS AND TOOK NO ACTION TO ADDRESS THE SUITABILITY ISSUES OR ENSURE THAT THE SUPERVISORY RESPONSIBILITIES HE HAD DELEGATED WERE REASONABLY EXERCISED. FINRA FOUND THAT THE FIRM FAILED TO REASONABLY SUPERVISE DISCRETIONARY AND SENIOR ACCOUNTS. THE FIRM PROCEDURES ASSIGNED TO THE CCO RESPONSIBILITY FOR ENSURING THAT THE FIRM CONSIDERED AN INDIVIDUAL'S INVESTMENT OBJECTIVES, EXPERIENCE, AND ACCOUNT SIZE BEFORE OPENING A DISCRETIONARY ACCOUNT AND DOCUMENTED ITS RATIONALE, ORDER TICKETS NOTED WHETHER DISCRETION WAS EXERCISED, DISCRETIONARY ACCOUNTS WERE REVIEWED SEMI-ANNUALLY TO ENSURE RECOMMENDATIONS WERE SUITABLE AND ACCOUNTS WERE NOT UNDULY CONCENTRATED, AND PRINCIPALS OF THE FIRM SPOKE WITH EACH DISCRETIONARY ACCOUNT CLIENT ANNUALLY TO DETERMINE LEVELS OF SATISFACTION AND DOCUMENTED THE CONVERSATIONS. THE PROCEDURES ALSO ASSIGNED TO THE CCO RESPONSIBILITY FOR ENSURING THAT THE FIRM CONDUCTED AN ANNUAL REVIEW OF SENIOR ACCOUNTS. HOWEVER, THE FIRM DID NOT DOCUMENT ITS RATIONALE FOR OPENING DISCRETIONARY ACCOUNTS, ORDER TICKETS FAILED TO NOTE WHETHER DISCRETION WAS EXERCISED, FIRM PRINCIPALS DID NOT SPEAK WITH DISCRETIONARY ACCOUNT CLIENTS, AND NOBODY CONDUCTED THE REVIEWS OF DISCRETIONARY AND SENIOR ACCOUNTS.

Initiated By: FINRA
Date Initiated: 03/29/2021
Docket/Case Number: [2018060267902](#)
Principal Product Type: Debt - Asset Backed
Other Product Type(s):



Principal Sanction(s)/Relief Sought: Restitution

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2021

Sanctions Ordered: Censure
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND ORDERED TO PAY PARTIAL RESTITUTION TO CUSTOMERS OF \$275,000. FINRA IMPOSED PARTIAL RESTITUTION AND NO FINE AFTER CONSIDERING, AMONG OTHER THINGS, THE FIRM'S FINANCIAL RESOURCES.

End of Report



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