

**BrokerCheck Report**

**CHELSEA FINANCIAL SERVICES**

CRD# 47770

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## 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](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://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)



## CHELSEA FINANCIAL SERVICES

CRD# 47770

SEC# 8-51916

### Main Office Location

242 MAIN STREET  
STATEN ISLAND, NY 10307  
Regulated by FINRA Long Island Office

### Mailing Address

242 MAIN STREET  
STATEN ISLAND, NY 10307

### Business Telephone Number

718 967-8400

## 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 New York on 05/05/1999.

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
- 51 U.S. states and territories

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

This firm conducts 11 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	4



## Firm Profile

This firm is classified as a corporation.

This firm was formed in New York on 05/05/1999.

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.

### **CHELSEA MORGAN SECURITIES, INC.**

**Doing business as CHELSEA FINANCIAL SERVICES**

**CRD#** 47770

**SEC#** 8-51916

### **Main Office Location**

242 MAIN STREET  
STATEN ISLAND, NY 10307

**Regulated by FINRA Long Island Office**

### **Mailing Address**

242 MAIN STREET  
STATEN ISLAND, NY 10307

### **Business Telephone Number**

718 967-8400



## 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):** PISAPIA, JOHN THOMAS

2336216

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

**Position** PRESIDENT

**Position Start Date** 05/1999

**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

**Legal Name & CRD# (if any):** SEBOLD, STEPHEN RAPHAEL

2453748

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

**Position** CHIEF COMPLIANCE OFFICER

**Position Start Date** 09/2020

**Percentage of Ownership** Less than 5%

**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 51 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	01/24/2000

### 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	01/24/2000





## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	02/26/2001	North Dakota	Approved	05/24/2018
Alaska	Approved	05/23/2006	Ohio	Approved	01/14/2003
Arizona	Approved	05/17/2006	Oklahoma	Approved	11/16/2000
Arkansas	Approved	05/09/2006	Oregon	Approved	02/06/2001
California	Approved	11/14/2000	Pennsylvania	Approved	11/30/2000
Colorado	Approved	02/01/2001	Rhode Island	Approved	06/19/2019
Connecticut	Approved	02/20/2001	South Carolina	Approved	02/05/2001
Delaware	Approved	10/30/2008	South Dakota	Approved	02/09/2012
District of Columbia	Approved	07/09/2019	Tennessee	Approved	01/02/2001
Florida	Approved	10/19/2000	Texas	Approved	01/24/2001
Georgia	Approved	11/13/2000	Utah	Approved	03/07/2012
Hawaii	Approved	05/30/2006	Vermont	Approved	07/22/2010
Idaho	Approved	10/10/2000	Virgin Islands	Approved	01/19/2010
Illinois	Approved	04/24/2001	Virginia	Approved	01/01/2001
Indiana	Approved	01/30/2001	Washington	Approved	01/11/2001
Iowa	Approved	12/14/2000	West Virginia	Approved	01/11/2001
Kansas	Approved	04/25/2006	Wisconsin	Approved	02/23/2001
Kentucky	Approved	01/09/2003	Wyoming	Approved	01/20/2010
Louisiana	Approved	01/25/2001			
Maine	Approved	11/16/2018			
Maryland	Approved	01/19/2001			
Massachusetts	Approved	11/21/2000			
Michigan	Approved	12/13/2000			
Minnesota	Approved	04/11/2001			
Mississippi	Approved	01/16/2001			
Missouri	Approved	05/24/2006			
Nebraska	Approved	03/20/2001			
Nevada	Approved	10/13/2000			
New Hampshire	Approved	09/29/2003			
New Jersey	Approved	03/13/2001			
New Mexico	Approved	06/14/2007			
New York	Approved	09/15/1999			
North Carolina	Approved	11/09/2000			



## 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 11 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
Non-exchange member arranging for transactions in listed securities by exchange member
Private placements of securities

#### Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.  
This firm does engage in other non-securities business.

Non-Securities Business Description: INSURANCE

## 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.

<b>Name:</b>	HILLTOP SECURITIES INC.
<b>CRD #:</b>	6220
<b>Business Address:</b>	1201 ELM STREET SUITE 3500 DALLAS, TX 75270
<b>Effective Date:</b>	01/20/2016
<b>Description:</b>	HILLTOP SECURITIES BECAME OUR NEW CLEARING FIRM AFTER A MERGER WITH FIRST SOUTHWEST

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## Firm Operations

### Industry Arrangements



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

**Name:** HILLTOP SECURITIES INC.  
**CRD #:** 6220  
**Business Address:** 1201 ELM STREET  
SUITE 3500  
DALLAS, TX 75270  
**Effective Date:** 01/20/2016  
**Description:** HILLTOP SECURITIES BECAME OUR NEW CLEARING FIRM AFTER A MERGER WITH FIRST SOUTHWEST

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

**Name:** HILLTOP SECURITIES INC.  
**CRD #:** 6220  
**Business Address:** 1201 ELM STREET  
SUITE 3500  
DALLAS, TX 75270  
**Effective Date:** 01/20/2016  
**Description:** HILLTOP SECURITIES BECAME OUR NEW CLEARING FIRM AFTER A MERGER WITH FIRST SOUTHWEST

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

**Name:** HILLTOP SECURITIES INC.  
**CRD #:** 6220  
**Business Address:** 1201 ELM STREET  
SUITE 3500  
DALLAS, TX 75270  
**Effective Date:** 01/20/2016  
**Description:** HILLTOP SECURITIES BECAME OUR NEW CLEARING FIRM AFTER A MERGER WITH FIRST SOUTHWEST

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### 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.

**CHELSEA ADVISORY SERVICES, INC is under common control with the firm.**

<b>CRD #:</b>	150791
<b>Business Address:</b>	242 MAIN STREET STATEN ISLAND, NY 10307
<b>Effective Date:</b>	05/27/2009
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	BD & RIA ARE UNDER COMMON OWNERSHIP

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**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.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	4	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 4

**Reporting Source:** Firm  
**Current Status:** Final



**Allegations:** INCOMPLETE APPLICATION.

**Initiated By:** STATE OF WISCONSIN OFFICE OF THE COMMISSIONER OR INSURANCE

**Date Initiated:** 10/06/2020

**Docket/Case Number:** 20-C43709

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** ENSURE ADEQUATE PROCEDURES IN PLACE

**Resolution:** Order

**Resolution Date:** 10/06/2020

**Firm Statement** ALTHOUGH THE FIRM PROPERLY ANSWERED THE INSURANCE APPLICATION INQUIRY IN QUESTION, CERTAIN RESPONSIVE DOCUMENTS REGARDING PREVIOUSLY RESOLVED ADMINISTRATIVE MATTERS WERE UNINTENTIONALLY LEFT OUT OF THE CONTEMPORANEOUS PRODUCTION DUE TO CLERICAL OVERSIGHT AMID OPERATING REMOTELY DURING THE PANDEMIC. THIS ADMINISTRATIVE ACTION WAS ULTIMATELY RESOLVED BY WAY OF STIPULATION AND ORDER WITH THE LICENSE IN QUESTION GRANTED.

#### Disclosure 2 of 4

**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 FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE AS IT PERTAINS TO EXCESSIVE TRADING. THE FINDINGS STATED THAT THE FIRM'S WSPS PROVIDED CONFUSING AND CONTRADICTIONARY GUIDANCE REGARDING HOW TO ASSESS WHETHER TRADING MAY BE EXCESSIVE AND FAILED TO PROVIDE ANY GUIDANCE TO SUPERVISORS REGARDING HOW THEY SHOULD MONITOR FOR POTENTIALLY EXCESSIVE TRADING, WHETHER IT BE THROUGH THE USE OF AUTOMATED EXCEPTION REPORTS, REVIEW OF DAILY TRADE BLOTTERS, OR OTHERWISE. VETRANO, THE FIRM'S DESIGNATED SUPERVISORY PRINCIPAL,





PERFORMED THE REVIEWS OF THE DAILY TRADE BLOTTER AND THE MONTHLY EXCEPTION REPORT. HOWEVER, NEITHER THE TRADE BLOTTER NOR THE EXCEPTION REPORT INCLUDED ANY INDICATORS OF EXCESSIVE TRADING, SUCH AS TURNOVER OR COST-TO-EQUITY RATIOS, LEAVING VETRANO TO PERFORM CALCULATIONS MANUALLY. MOREOVER, THE FIRM ALSO FAILED TO PROVIDE GUIDANCE TO SUPERVISORS, EITHER IN ITS WSPS OR OTHERWISE, REGARDING THE STEPS THAT THEY SHOULD TAKE IF THEY DETECTED POTENTIALLY EXCESSIVE TRADING. AS A RESULT, IN PRACTICE, WHEN VETRANO IDENTIFIED TRADING THAT HE THOUGHT MIGHT BE EXCESSIVE, HE FAILED TO TAKE REASONABLE STEPS TO INVESTIGATE. THE FINDINGS ALSO STATED THAT THE FIRM AND VETRANO FAILED TO REASONABLY SUPERVISE A FORMER REGISTERED REPRESENTATIVE WHO, WHILE REGISTERED THROUGH THE FIRM, RECOMMENDED UNSUITABLE AND EXCESSIVE TRADING IN THREE CUSTOMERS' ACCOUNTS. VETRANO OBSERVED MULTIPLE RED FLAGS INDICATING THAT THE REPRESENTATIVE WAS RECOMMENDING EXCESSIVE AND UNSUITABLE TRADING IN THE CUSTOMERS' ACCOUNTS, BUT HE FAILED TO REASONABLY RESPOND TO THESE RED FLAGS. AFTER THE CUSTOMERS' ACCOUNTS APPEARED ON THE FIRM'S MONTHLY EXCEPTION REPORT, VETRANO PERFORMED MANUAL COST-TO-EQUITY CALCULATIONS FOR EACH ACCOUNT. VETRANO'S CALCULATIONS REVEALED COST-TO-EQUITY RATIOS RANGING FROM 27% TO 94.7%. IN RESPONSE, VETRANO SENT ACTIVE ACCOUNT LETTERS TO THE AFFECTED CUSTOMERS, BUT THE LETTERS DID NOT PROVIDE THE CUSTOMERS WITH ANY INFORMATION ABOUT THE LEVEL OF TRADING IN, OR THE AMOUNT OF COMMISSIONS CHARGED TO, THEIR ACCOUNTS. VETRANO ALSO INSTITUTED A PER-TRADE CAP ON THE COMMISSIONS THAT COULD BE CHARGED IN EACH OF THE ACCOUNTS. HOWEVER, THE PER-TRADE CAP ON COMMISSIONS OFTEN EXACERBATED THE EXCESSIVE TRADING IN THE AFFECTED ACCOUNTS BECAUSE IT CAUSED THE REPRESENTATIVE TO INCREASE THE NUMBER OF TRADES IN THE ACCOUNTS TO OVERCOME THE PER-TRADE COMMISSION CAP. IN ALL, AS A RESULT OF THE REPRESENTATIVE'S RECOMMENDATIONS OF EXCESSIVE AND UNSUITABLE TRANSACTIONS, THE REPRESENTATIVE'S THREE CUSTOMERS COLLECTIVELY PAID APPROXIMATELY \$68,899 IN COMMISSIONS, AND THEIR ACCOUNTS COLLECTIVELY EXPERIENCED LOSSES OF APPROXIMATELY \$34,515.

**Initiated By:** FINRA  
**Date Initiated:** 12/04/2019  
**Docket/Case Number:** [2018059111001](#)  
**Principal Product Type:** No Product  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/04/2019

**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  
Disgorgement/Restitution

**Other Sanctions Ordered:** INTEREST; UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$15,000, ORDERED TO PAY \$68,899, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS AND REQUIRED TO REVIEW AND REVISE, AS NECESSARY, ITS SUPERVISORY SYSTEM AND WSPS, REGARDING SUPERVISION OF EXCESSIVE TRADING. FINRA IMPOSED A REDUCED FINE AGAINST THE FIRM AFTER IT CONSIDERED, AMONG OTHER THINGS, THE FIRM'S REVENUES AND FINANCIAL RESOURCES, AS WELL AS ITS AGREEMENT TO PAY FULL RESTITUTION TO THE AFFECTED CUSTOMERS.

**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 FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE AS IT PERTAINS TO EXCESSIVE TRADING. THE FINDINGS STATED THAT THE FIRM'S WSPS PROVIDED CONFUSING AND CONTRADICTIONARY GUIDANCE REGARDING HOW TO ASSESS WHETHER TRADING MAY BE EXCESSIVE AND FAILED TO PROVIDE ANY GUIDANCE TO SUPERVISORS REGARDING HOW THEY SHOULD MONITOR FOR POTENTIALLY EXCESSIVE TRADING, WHETHER IT BE THROUGH THE USE OF AUTOMATED EXCEPTION REPORTS, REVIEW OF DAILY TRADE BLOTTERS, OR OTHERWISE.



VETRANO, THE FIRM'S DESIGNATED SUPERVISORY PRINCIPAL, PERFORMED THE REVIEWS OF THE DAILY TRADE BLOTTER AND THE MONTHLY EXCEPTION REPORT. HOWEVER, NEITHER THE TRADE BLOTTER NOR THE EXCEPTION REPORT INCLUDED ANY INDICATORS OF EXCESSIVE TRADING, SUCH AS TURNOVER OR COST-TO-EQUITY RATIOS, LEAVING VETRANO TO PERFORM CALCULATIONS MANUALLY. MOREOVER, THE FIRM ALSO FAILED TO PROVIDE GUIDANCE TO SUPERVISORS, EITHER IN ITS WSPS OR OTHERWISE, REGARDING THE STEPS THAT THEY SHOULD TAKE IF THEY DETECTED POTENTIALLY EXCESSIVE TRADING. AS A RESULT, IN PRACTICE, WHEN VETRANO IDENTIFIED TRADING THAT HE THOUGHT MIGHT BE EXCESSIVE, HE FAILED TO TAKE REASONABLE STEPS TO INVESTIGATE. THE FINDINGS ALSO STATED THAT THE FIRM AND VETRANO FAILED TO REASONABLY SUPERVISE A FORMER REGISTERED REPRESENTATIVE WHO, WHILE REGISTERED THROUGH THE FIRM, RECOMMENDED UNSUITABLE AND EXCESSIVE TRADING IN THREE CUSTOMERS' ACCOUNTS. VETRANO OBSERVED MULTIPLE RED FLAGS INDICATING THAT THE REPRESENTATIVE WAS RECOMMENDING EXCESSIVE AND UNSUITABLE TRADING IN THE CUSTOMERS' ACCOUNTS, BUT HE FAILED TO REASONABLY RESPOND TO THESE RED FLAGS. AFTER THE CUSTOMERS' ACCOUNTS APPEARED ON THE FIRM'S MONTHLY EXCEPTION REPORT, VETRANO PERFORMED MANUAL COST-TO-EQUITY CALCULATIONS FOR EACH ACCOUNT. VETRANO'S CALCULATIONS REVEALED COST-TO-EQUITY RATIOS RANGING FROM 27% TO 94.7%. IN RESPONSE, VETRANO SENT ACTIVE ACCOUNT LETTERS TO THE AFFECTED CUSTOMERS, BUT THE LETTERS DID NOT PROVIDE THE CUSTOMERS WITH ANY INFORMATION ABOUT THE LEVEL OF TRADING IN, OR THE AMOUNT OF COMMISSIONS CHARGED TO, THEIR ACCOUNTS. VETRANO ALSO INSTITUTED A PER-TRADE CAP ON THE COMMISSIONS THAT COULD BE CHARGED IN EACH OF THE ACCOUNTS. HOWEVER, THE PER-TRADE CAP ON COMMISSIONS OFTEN EXACERBATED THE EXCESSIVE TRADING IN THE AFFECTED ACCOUNTS BECAUSE IT CAUSED THE REPRESENTATIVE TO INCREASE THE NUMBER OF TRADES IN THE ACCOUNTS TO OVERCOME THE PER-TRADE COMMISSION CAP. IN ALL, AS A RESULT OF THE REPRESENTATIVE'S RECOMMENDATIONS OF EXCESSIVE AND UNSUITABLE TRANSACTIONS, THE REPRESENTATIVE'S THREE CUSTOMERS COLLECTIVELY PAID APPROXIMATELY \$68,899 IN COMMISSIONS, AND THEIR ACCOUNTS COLLECTIVELY EXPERIENCED LOSSES OF APPROXIMATELY \$34,515.

**Initiated By:** FINRA  
**Date Initiated:** 12/04/2019  
**Docket/Case Number:** [2018059111001](#)  
**Principal Product Type:** No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 12/04/2019**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00  
Disgorgement/Restitution**Other Sanctions Ordered:** INTEREST, UNDERTAKING**Sanction Details:** THE FIRM WAS CENSURED, FINED \$15,000, ORDERED TO PAY \$68,899, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS AND REQUIRED TO REVIEW AND REVISE, AS NECESSARY, ITS SUPERVISORY SYSTEM AND WSPS, REGARDING SUPERVISION OF EXCESSIVE TRADING. FINRA IMPOSED A REDUCED FINE AGAINST THE FIRM AFTER IT CONSIDERED, AMONG OTHER THINGS, THE FIRM'S REVENUES AND FINANCIAL RESOURCES, AS WELL AS ITS AGREEMENT TO PAY FULL RESTITUTION TO THE AFFECTED CUSTOMERS.**Disclosure 3 of 4****Reporting Source:** Regulator**Current Status:** Final**Allegations:** PURSUANT TO N.J.S.A. 49:3-56(A), CHELSEA ALLOWED AN AFFILIATED PERSON TO COMPLETE SECURITIES TRANSACTIONS FROM NEW JERSEY WITH PERSONS WHO WERE CUSTOMERS OF CHELSEA WHILE THE AFFILIATED PERSON WAS NOT REGISTERED WITH THE BUREAU, CONSTITUTING VIOLATIONS OF N.J.S.A. 49:3-56(H) FOR THE EMPLOYMENT OF AN UNREGISTERED AGENT AND IS THE BASIS FOR THE ISSUANCE OF AN ORDER ASSESSING PENALTIES AGAINST CHELSEA. PURSUANT TO N.J.S.A. 49:3-58(2)(XI), CHELSEA'S ALLOWING THE AFFILIATED PERSON TO CONDUCT BUSINESS DURING THE RELEVANT PERIOD FROM NEW JERSEY LOCATIONS OPERATED BY CHELSEA WITHOUT THE AGENT BEING REGISTERED CONSTITUTES A FAILURE TO REASONABLY SUPERVISE PURSUANT TO N.J.S.A. 49:3-58(2)(XI).**Initiated By:** NEW JERSEY BUREAU OF SECURITIES**Date Initiated:** 09/18/2014



**Docket/Case Number:** N/A

**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:** 09/18/2014

**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 \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** CHELSEA IS ASSESSED A CIVIL MONETARY PENALTY IN THE AMOUNT OF FIFTEEN THOUSAND DOLLARS (\$15,000.00), TO BE PAID IN SIX (6) INSTALLMENTS OF TWO THOUSAND FIVE HUNDRED DOLLARS (\$2500.00) EACH ON SEPTEMBER 15, 2014, OCTOBER 15, 2014, NOVEMBER 17, 2014, DECEMBER 15, 2014, JANUARY 15, 2015, AND FEBRUARY 17, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ONE REGISTERED REPRESENTAIVE WORKED FROM A NEW JERSEY LOCATION WITHOUT BEING REGISTERED IN THE STATE OF NEW JERSEY. HE DID NOT CONTACT OR SOLICIT ANY CUSTOMERS OF THE STATE OF NEW JERSEY.

**Initiated By:** STATE OF NEW JERSEY

**Date Initiated:** 09/18/2014

**Docket/Case Number:** NONE

**Principal Product Type:** No Product



<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	09/18/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$15,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	\$15,000.00 FINE
<b>Firm Statement</b>	ONE REGISTERED REPRESENTAIVE WORKED FROM A NEW JERSEY LOCATION WITHOUT BEING REGISTERED IN THE STATE OF NEW JERSEY. HE DID NOT CONTACT OR SOLICIT ANY CUSTOMERS OF THE STATE OF NEW JERSEY.

#### Disclosure 4 of 4

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FAILURE TO SUPERVISE SALESPERSON JOSEPH BIONDOLILLO; CHARGING AND COLLECTING UNREASONABLE FEES.
<b>Initiated By:</b>	MONTANA
<b>Date Initiated:</b>	05/02/2013
<b>Docket/Case Number:</b>	SEC-2013-58
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Restitution
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	05/02/2013



**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:** Monetary/Fine \$40,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** \$262,371 IN RESTITUTION TO 8 INVESTORS; \$40,000 FINE; \$10,153 INVESTIGATIVE COSTS

**Sanction Details:** \$262,371 IN RESTITUTION TO 8 INVESTORS; \$40,000 FINE; \$10,153 INVESTIGATIVE COSTS

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO SUPERVISE SALESPERSON JOSEPH BIONDOLILLO; CHARGING AND COLLECTING UNREASONABLE FEES

**Initiated By:** MONTANA

**Date Initiated:** 05/03/2013

**Docket/Case Number:** SEC-2013-58

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Restitution

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 05/03/2013

**Sanctions Ordered:** Monetary/Fine \$40,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** \$262371 IN RESTITUTION TO 8 INVESTORS;\$40,000 FINE;\$10153 INVESTIGATIVE COSTS

**Sanction Details:** \$262371 IN RESTITUTION TO 8 INVESTORS;\$40,000 FINE;\$10153 INVESTIGATIVE COSTS



**Firm Statement**

THE ACTIVITY IN QUESTION WAS LIMITED TO ONE PARTICULAR REGISTERED REPRESENTATIVE IN AN INDEPENDENT OFFICE OF SUPERVISORY JURISDICTION. CHELSEA FINANCIAL SERVICES TERMINATED HIS REGISTRATION AT THE CONCLUSION OF MONTANA'S INVESTIGATION.



## End of Report



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