



March 31, 2021

**Sent Via Firm Gateway**

Keith Moore, Chief Executive Officer  
Boustead Securities, LLC  
6 Venture Suite 395  
Irvine, CA 92618

**Re: 2020 Examination of Boustead Securities, LLC**  
**Examination Number: 20200650946**  
**Firm CRD Number: 141391**

Dear Mr. Moore:

We would like to thank the firm for the assistance extended to our staff during the recently completed examination. The exam included review of the following area(s) of risk:

- Accrual of Expenses and Related Liabilities
- CIP, KYC and Due Diligence on Customers and Counterparties
- Compensation in a Public Corporate Offering
- Detection and Reporting of Suspicious Transactions
- Due Diligence on Securities Offerings and other New Products
- Financial Accounting Controls
- Market Risk Deductions on Proprietary Inventory
- Regulatory Filings

Please provide a written response, via the Firm Gateway, addressing each of the exceptions noted below within 14 days from the date of this Examination Report. Your written response should detail:

- The circumstances that caused the noted exceptions and/or recommendations.
- The corrective action taken to date to address each exception. For any exceptions and/or recommendations in which corrective action is ongoing, please provide the date by which full implementation is expected and the individual responsible for monitoring the implementation effort.
- Any updated policies and procedures the firm will utilize to ensure that repeat exceptions do not occur.
- The individual(s) (name/title) responsible for implementing the corrective action and the updated policies and procedures.

To the extent there is documentation available to demonstrate the corrective action taken, include copies with your written response, when practical.

The disposition related to this examination will be communicated to you under separate cover after Management's review of the written response submitted to this Examination Report.

If you have any questions, please contact the undersigned at (646) 315-8761 or [Marvin.Bautista@finra.org](mailto:Marvin.Bautista@finra.org).

Sincerely,

Marvin Bautista  
Examination Manager

/ts

cc: Joanne Park, Chief Compliance Officer, Boustead Securities, LLC  
Sent Via Firm Gateway

Todd Coppi, Examination Director, FINRA  
Donald Burney, Principal Examiner, FINRA  
Matthew Reyburn, Director, Risk Monitoring, FINRA  
Zina Howell, Senior Analyst, Risk Monitoring, FINRA

**Report on the Examination of**  
**Boustead Securities, LLC**

The following have been brought to the attention of the appropriate firm personnel:

**1. EXCEPTION:**

The Firm was not in compliance with:

- **FINRA Rule 2111**

Suitability

- **FINRA Rule 3110 (b) (1)**

General Requirements

- **FINRA Rule 4512 (a) (2)**

Customer Account Information

- **Securities Exchange Act of 1934 240.17a-3 (a) (17) (i)**

Records to be Made by Certain Exchange Members, Brokers & Dealers

**DETAILS:**

The Staff's sampling of eleven (11) investors making purchases in the Clear Cannabis private placement offering revealed the following deficiencies:

- The investor profile for Customer Bertram Tuckey was not provided. As such, the Staff could not determine whether the recommendation was suitable for the customer.
- The recommendation of Clear Cannabis Private Placements to the following seven (7) investors does not appear suitable in that each investor's investment profile reflects a short investment time horizon for a security that may not have a ready market for many years. In addition, these investors show a low level for risk tolerance, and either limited or no investment experience. Furthermore, the investment profile does not include investment objective, tax status or other investment.

<u>Customer Name</u>	<u>Investment Time Horizon</u>
Meruzhan P. Korniyenko	18 Months
Rory Lamberton	12 - 36 Months
Forrest Charlesworth	12 Months
Harold K. Morgan	60 Months
Ashley Frank	9 months
Claudia Moore	2 years
Susan Weissman Frank	36 months

- The following three (3) Investors show a low level risk tolerance, and either limited or no investment experience. Furthermore, the investment profile does not include investment objective, tax status or other investment(s).
  - M. Louise Wingert
  - Harold K. Morgan
  - Susan Weissman Frank

The Firm did not create or obtain the required customer information pursuant to SEA Rule 17a-3(a)(17)(i) and FINRA Rule 4512(a) for the following 5 of 8 investors sampled making purchases in the Nano-C private placement offering:

- John F. Cogan, Jr. 2001 Revocable Trust
- Nancy C. Curtin Trust-1996
- Luther H. Hodges
- J. Atwood Ives
- Stephen M. Andress

In addition, the Firm did not obtain principal approval for the account and execution of private placement trades of Nano-C for all 8 accounts sampled.

The Staff notes that the exceptions listed above are repeat violations.

## **2. EXCEPTION:**

The firm was not in compliance with:

- **FINRA Rule 3110 (b)**

Written Procedures

- **Securities Act of 1933 Regulation D 230.506**

Exemption for limited offers and sales without regard to dollar amount of offering

**DETAILS:**

The Staff's sample of eleven (11) investors making purchases in the Clear Cannabis private placement revealed the following deficiencies:

- The Subscription Agreements, Investor Questionnaire and Investor Profile for customers: Meruzhan P. Korniyenko; Joshua Rex Miller; and, Walter Filipowicz are not dated. As such, the Staff cannot determine when such information was obtained by the client.
- As the Firm's failed to adequately date each of the subscription agreements, the Staff cannot confirm if the Member has met the \$500K contingency requirement by the stipulated date of August 31, 2019.
- The Investor Questionnaire and Investment Profile of customer Harold Morgan do not provide evidence that the investor is an accredited customer. Although a verification attestation of accredited status was obtained from the client; it was submitted on 8/2/2019 when the transaction was executed on 7/9/2019. As such, the transaction was executed prior to verification of Mr. Morgan's accredited status.

The Verification of Accreditation Status per 506(c) exemption had not been obtained for the following 5 Nano-C investors:

- John F. Cogan, Jr. 2001 Revocable Trust
- Nancy C. Curtin Trust-1996
- Luther H. Hodges
- J. Atwood Ives
- Stephen M. Andress

The Staff notes that the exceptions listed above relating to Private Placement offerings are repeat violations.

**3. EXCEPTION:**

The firm was not in compliance with:

- **FINRA Rule 5110 (b) (5) (A) (ii)**

Documents to be Filed

- **FINRA Rule 5110 (f) (2) (G)**

Prohibited Arrangements

**DETAILS:**

Based on the review of ATIF Holdings Limited Offering, Staff notes the following deficiencies:

- The Firm failed to file with FINRA the executed Warrant Agreement within one business day after such document was filed with the SEC, as required in FINRA Rule 5110(b)(5)(A)(ii).
- The Firm identified the warrant exercise period in the warrant agreement based upon the issuance date (4/29/2019) rather than the effective date of the offering (2/8/2019) as required in FINRA Rule 5110(f)(2)(G)(i).
- The Firm failed to include the duration of the time period of the piggy-back registration right in the Warrant Agreement as required in FINRA Rule 5110(f)(2)(G)(v).

**4. EXCEPTION:**

The Firm was not in compliance with:

- **FINRA Rule 3110 (b) (1)**

General Requirements

**DETAILS:**

The Firm did not implement its written supervisory procedures in that it did not make confirming/verifying calls to customers in three outgoing wires:

- David S. Nagelberg 2003 Revocable Trust (wire date 3/24/2020),
- Mark Swaim (wire date 4/21/2020), and
- Genglan Shen (wire date 12/20/19).

This failure represents a violation of FINRA Rule 3110(b)(1) which states:

Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

This form does not in any way constitute a waiver of the notification prohibitions set forth in 31 U.S.C. 5318(g) with respect to any suspicious activity report discussed herein. Consequently, any references in this letter to a suspicious activity report or its existence are confidential, and may not be disclosed by you to the subject of the report, or otherwise disclosed in a manner outside your firm that would lead to the subject of the report being notified. The improper disclosure of a suspicious activity report, either in contravention of section 5318(g) or of a related rule implementing that authority, is punishable by criminal and civil penalties. See 31 U.S.C. 5321 and 5322.