

October 30, 2019

Joanne Park
Chief Compliance Officer
Boustead Securities, LLC
6 Venture Suite 395
Irvine, CA 92618

Re: 2019 Examination of Boustead Securities, LLC
Examination Number: 20190616919
Firm CRD Number: 141391

Dear Ms. Park:

We have recently completed an examination of your firm. The examination included an assessment of information to identify Sales Practice, Financial and Operational risks.

The following areas of risk were reviewed:

- Accounting of Intercompany Activity
- Customer Specific Suitability
- Deductions to Net Worth
- Due Diligence on Securities Offerings and other New Products
- Financial Accounting Controls
- Individual Qualifications and Registrations
- Managing Conflicts Arising from the Public Offering of Corporate Securities
- Regulatory Filings

We would like to thank the firm for the assistance extended to our staff during the examination. Please provide a written response, via the Firm Gateway, addressing each of the exceptions noted below within 30 days from the date of this Examination Report. Your written response should detail:

- The circumstances that caused the noted exceptions.
- The corrective action taken to date to address each exception. For any exceptions 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 deficiencies 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.

Preventive compliance is an important area of FINRA's emphasis, thus one purpose of our examination program is to help members understand relevant securities rules and regulations. I hope we have been of help in this respect.

The examination is not an audit and is not designed to be a substitute for management's responsibility to comply with appropriate securities rules and regulations. Member Regulation's 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 or comments concerning this report please contact Wendy Velez, Examination Manager, at 415-217-1103.

Sincerely,

Thomas Mellett
District Director

cc: Lorna Ho, Principal Regulatory Coordinator, FINRA
Jay Tuminaro, Principal Regulatory Coordinator, FINRA
Rodney Martin, Principal Examiner, 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 5110 (b) (4) (A) (i)**
Requirement for Filing
- **FINRA Rule 5110(b) (5) (A)**
Documents to be Filed
- **FINRA Rule 3110 (b) (1)**
General Requirements

DETAILS:

Staff conducted a review of the timeliness of Corporate Offerings filings during the Exam Review Period, of March 1, 2018 to February 28, 2019. During that 12-month timeframe, the firm failed to file 11 forms. Additionally, there were 46 late filings, which fall into two categories. For 25 of the late filings, it is notable that the firm only made the filing after the exam started to inquire about the firm's non-filed forms. These ranged from being filed 97 days late to 426 days late. The other 21 late filings, range from being filed 1 day late to 117 days late.

Overall, a filing obligation existed for 109 forms. Of those 42.2% of the forms were filed late and 10.1% of the forms were not filed at all. As such, 52.3% of the forms that had a filing obligation were filed either late or not at all. It is also notable that when staff began questioning the firm about the filings, 36 that had not been filed, which represents 33.0% of the population.

The firm has indicated that the attorney for the offering is the party responsible for making such filings and that it is the firm's intent to be compliant with the filing requirement. Though certain duties may be outsourced by FINRA member firms, the obligation for complying with the FINRA rules lies with the FINRA member. FINRA Regulatory Notice 12-22, "Corporate Financing Filings – New Electronic Filing System for Public Offering Filings," makes clear that member firms are responsible for FINRA Rule 5110 filings even where a firm authorizes its outside counsel to make those filings.

With respect to the 46 late filings, the firm did not comply with FINRA Rule 5110(b)(4)(A)(i). With respect to the 11 Failure to File forms, the firm did not comply with FINRA Rule 5110(b)(5)(A).

Staff requested that the firm describe how they ensured timely Rule 5110 filings were made for offerings of the firm. The firm described that the attorney typically has responsibility for the filing, and provided detailed responses to show that there were a variety of reasons why filings were late. However, the firm did not describe any efforts undertaken by the firm to ensure that filings were made timely. Further, staff requested records showing evidence of any steps that were taken during the Examination Review Period and no such records were provided. Staff notes that the firm's Written Supervisory Procedures lack any detail of the methods to be used or the assignment of an individual to be responsible for ensuring those filings are made timely. Staff has determined that the firm did not establish written procedures and supervisory controls with respect to timely Rule 5110 filings that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules.

As such, the firm did not comply with 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."

During this examination, the firm indicated that it is in the process of implementing corrective action with respect to the late filing issue. Specifically, the firm has subscribed to services that notify them when a client of the firm submits a filing to the SEC. The firm has also stressed with third-party counsel the required time period of those filings and added a time period requirement to future engagement agreements and provided written notice of same for active engagements.

2. EXCEPTION:

The firm was not in compliance with:

- **FINRA Rule 3110 (b)**
Written Procedures
- **FINRA Rule 2111 (a)**
Suitability
- **FINRA Rule 4512**
Customer Account Information
- **Securities Exchange Act of 1934 240.17a-3 (a) (17) (i)**
Records to be made by certain exchange members, brokers and dealers

- **FINRA Rule 3110 (a)**
Supervisory System

DETAILS:

A. FINRA Rule 3110(b): Written Procedures

The firm collects customer suitability information through (1) an issuer specific subscription agreement, and, in certain offerings, (2) the FlashFunders.com website registration process. Outside of these two sources, the firm does not use a traditional “New Account Form” to develop an “investment profile” for each customer.

The firm indicated to staff that its investments are only open to accredited investors, and that by definition, an accredited investor would have a sufficient net worth to sustain the potential risks of the investment. In responses to staff’s questions, the firm appears to be relying on a customer’s accreditation status to satisfy its suitability obligations. However, staff notes that the record keeping requirements of a firm’s suitability and Books and Records obligations, as explained further below, are separate and apart from the legal definition of customer accreditation as promulgated in Rule 501 of Regulation D.

As part of its Customer Specific Suitability review, staff reviewed the relevant sections within the firm’s Written Supervisory Procedures and noted the following concerns.

The firm’s procedures do not (1) designate responsible supervisory personnel within their procedures, (2) adequately describe the customer document and transaction review process, (3) describe the steps that will be taken upon discovery of deficiencies in the supervisory process and (4) are not tailored to the firm’s business model, as the procedures continue to indicate the firm will gather “new account forms” despite the firm no longer having a clearing relationship. As such, the firm was not in compliance with FINRA Rule 3110(b) which requires member firms to 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 rule.

Lastly, the firm’s procedures indicate that for each subscription agreement, a supervisor will notate their evidence of review and approval for each transaction. Staff’s review noted that of the 27 transactions sampled by staff, 16 transactions (59.26%) did not have evidence of supervisory review and approval. By not enforcing its procedures, the firm was not in compliance with FINRA Rule 3110(b).

B. FINRA Rule 2111: Suitability

FINRA Rule 2111 requires that a firm or associated person have a reasonable basis to believe a recommended transaction or investment strategy involving a security or securities is suitable for the customer. This is based on the information obtained through

reasonable diligence of the firm or associated person to ascertain the customer's investment profile.

The rule states that the customer's investment profile "includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs [and] risk tolerance," among other information. A broker's "recommendation," which is based on the facts and circumstances of a particular case, is the triggering event for application of the rule.

As noted above, Staff's review noted that the firm does not utilize New Account Forms, and relies on the information in the subscription agreement in order to make a suitability determination. Staff's review also noted that for certain offerings the firm will also rely on information collected upon the customer's registration of the FlashFunders.com website. Staff noted, however, that while the registration process does capture some of the investment profile elements required by FINRA Rule 2111(a), the registration process does not capture two elements: (1) Tax Status or (2) Other Investments.

As part of its review, staff requested that the firm identify those transactions in the staff's sample that were "recommended" by the firm. For those transactions identified as solicited, staff tested the firm's compliance with FINRA Rule 2111, which only applies to recommended transactions.

Staff found that the firm made a recommendation to the customers listed below without making reasonable efforts to collect the required corresponding piece of the customer's investment profile:

- Risk Tolerance: 3 of 13 (23.1% of the recommended transactions in staff's sample): Dorsi & Von Faulker, Paul & Virginia Ivy, HR Stasney & Sons Ltd.
- Liquidity Needs: 13 of 13 (100% of the recommended transactions in staff's sample): Arturo Barone, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Dorsi & Von Faulker, Ira Gaines (Twin Vee & Virtua-Manistee), William Hunt, Paul & Virginia Ivy, Patrick Lin, James Page, Bruce E. Whitten, HR Stasney & Sons Ltd.
- Investment Time Horizon: 13 of 13 (100% of the recommended transactions in staff's sample): Arturo Barone, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Dorsi & Von Faulker, Ira Gaines (Twin Vee & Virtua-Manistee), William Hunt, Paul & Virginia Ivy, Patrick Lin, James Page, Bruce E. Whitten, HR Stasney & Sons Ltd.
- Investment Experience: 3 of 13 (23.1% of the recommended transactions in staff's sample): Dorsi & Von Faulker, Paul & Virginia Ivy, HR Stasney & Sons Ltd.
- Investment Objective: 13 of 13 (100% of the recommended transactions in staff's sample): Arturo Barone, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Dorsi & Von Faulker, Ira Gaines (Twin Vee & Virtua-Manistee), William Hunt,

Paul & Virginia Ivy, Patrick Lin, James Page, Bruce E. Whitten, HR Stasney & Sons Ltd.

- Tax Status: 13 of 13 (100% of the recommended transactions in staff's sample): Arturo Barone, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Dorsi & Von Faulker, Ira Gaines (Twin Vee & Virtua-Manistee), William Hunt, Paul & Virginia Ivy, Patrick Lin, James Page, Bruce E. Whitten, HR Stasney & Sons Ltd.
- Other Investments: 12 of 13 (92.3% of the recommended transactions in staff's sample): Arturo Barone, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Ira Gaines (Twin Vee & Virtua-Manistee), William Hunt, Paul & Virginia Ivy, Patrick Lin, James Page, Bruce E. Whitten, HR Stasney & Sons Ltd.
- Investment Experience: 3 of 13 (23.1% of the recommended transactions in staff's sample): Dorsi & Von Faulker, Paul & Virginia Ivy, HR Stasney & Sons Ltd.
- Financial Situation: 9 of 13 (69.2% of the recommended transactions in staff's sample): Arturo Barone, Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Dorsi & Von Faulker, William Hunt, Paul & Virginia Ivy, Patrick Lin, Bruce Whitten, HR Stasney & Sons Ltd.
- Age: 2 of 13 (15.4% of recommended transactions in staff's sample): Anthony Bufinsky (Aptorum IPO & Fuqin IPO).

Although staff's review showed that in many of the above instances that the customer self-identified as an "Accredited Investor" as defined in Rule 501(a) of Regulation D, this representation does not relinquish the firm from its obligation to make reasonable efforts to collect the pieces of the customer's investment profile as specified in FINRA Rule 2111(a) for transactions recommended to customers. As such, for the customer transactions noted above, the firm was not in compliance with FINRA Rule 2111(a).

- C. FINRA Rule 4512: Books and Records; SEC Rule 17a-3(a)(17)(i)(A): Records to be made by certain exchange members, brokers and dealers

As noted in FINRA Rule 4512 and SEC Rule 17a-3(a)(17)(i)(A), the firm is required to make reasonable efforts to collect specific information about customers as part of its Books and Records obligations.

Staff sampled 27 customer transactions for compliance with the firm's Books and Records obligations. Inconsistent with SEC Rule 17a-3(a)(17)(i)(A) and FINRA Rule

4512, the firm did not make reasonable efforts to collect or maintain the following information for the specified customers below:

- Tax Identification Number: 3 of 27 transactions sampled by staff (11.1% of sample): Arturo Barone, Sen Shoko, and Lin Tai.
- Telephone Number: 1 of 27 transactions sampled by staff (3.7% of sample): Lin Tai [SEC Rule 17a-3(a)(17)(i)(A) only].
- Date of Birth: 3 of 27 transactions sampled by staff (11.1% of sample): Christopher Whitaker, and Anthony Bufinsky (Aptorum IPO & Fuqin IPO).
- Employment Status: 9 of 27 transactions sampled by staff (33.3% of sample): Jeff Bishop, Brandon Cash, Dorsi & Von Faulker, Paul & Virginia Ivy, Evaneline Lung, Chau Wan, Christopher Whitaker, Sen Shoko, and Jason Sundar.
- Annual Income: 20 of 27 transactions sampled by staff (74.1% of sample): Arturo Barone, Jeff Bishop, Anthony Fufinsky (Aptorum IPO & Fuqin IPO), Brandon Cash, Dorsi & Von Faulkner, Michael Geddes, Thomas Hudson, William Hunt, Paul & Virginia Ivy, Wai Tip "Thomas" Lee, Patrick Lin, Evangeline Lung, Ellie Ngai, Chau Wan, Christopher Whitaker, Bruce Whitten, Sen Shoko, Jason Sundar, and Lin Tai. [SEC Rule 17a-3(a)(17)(i)(A) only].
- Net Worth: 14 of 27 transactions sampled by staff (51.9% of sample): Arturo Barone, Jeff Bishop, Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Brandon Cash, Michael Geddes, Wai Tip "Thomas" Lee, Patrick Lin, Evangeline Lung, Ellie Ngai, Chau Wan, Christopher Whitaker, Sen Shoko, Jason Sundar. [SEC Rule 17a-3(a)(17)(i)(A) only].
- Investment Objective: 27 of 27 transactions sampled by staff (100% of sample): Arturo Barone, Jeff Bishop, James Browne & Brandon Haynes & Jonathan Kuhn (Tenants in Common), Anthony Bufinsky (Aptorum IPO & Fuqin IPO), Brandon Cash, Dorsi & Von Faulkner, Ira Gaines (Twin Vee & Virtua-Manistee), Michael Geddes, Thomas Hudson, William Hunt, Charles Hutto, Paul & Virginia Ivy, Wai Tip "Thomas" Lee, Patrick Lin, Evangeline Lung, David McCoy, Ellie Ngai, James Page, Chau Wan, Christopher Whitaker, Sen Shoko, Lin Tai, and HR Stasney & Sons, Ltd. [SEC Rule 17a-3(a)(17)(i)(A) only].

D. FINRA Rule 3110(a): Supervisory System

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

Staff noted that the firm does not appear to have adequate procedures or processes evidencing whether transactions are solicited or unsolicited. The firm was unable to provide a blotter reflecting whether a transaction was "solicited or unsolicited" and instead had to rely on providing staff with copies of emails or a written statement attesting to whether the transaction was solicited. While the firm indicated that it conducts the same supervisory review for all transactions regardless of whether the transaction is solicited or unsolicited, the firm is still required to record on its Books and Records a solicitation indication for each transaction. Notably, while only recommended transactions are subject to FINRA Rule 2111 (Suitability), all transactions are subject to FINRA Rule 4512 and SEC Rule 17a-3(a)(17)(i)(A). As such, the Firm should implement procedures

related to retaining an indication as to solicitation and recommendation in order to evidence compliance with FINRA Rule 2111.

Additionally, the firm does not have a supervisory process in place to review for the concentration of illiquid investments. Staff's review noted that the firm's practice of relying on the issuer's subscription agreements results in the firm not collecting key pieces of information necessary to make a suitability determination related to concentration. Namely, the subscription agreements are not capturing "Liquid Net Worth", "Total Net Worth" or "Other Investments". Without these pieces of information, the firm's supervisory personnel are without the tools needed to assess the customer's concentration in the specified security, or a particular asset class. As a result, the firm did not establish or maintain a supervisory system that was reasonably designed to avoid the sale of securities in excess of suitable customer concentration standards, or statutory concentration limits, in violation of FINRA Rule 3110(a).

3. EXCEPTION:

The firm was not in compliance with:

- **FINRA Rule 3110 (b)**
Written Procedures

DETAILS:

An important aspect of the firm's Due Diligence review is the use of a Due Diligence checklist for each offering and staff observed deficiencies with respect to the checklists reviewed. Specifically, a Registered Principal, typically CEO Keith Moore, is responsible for signing the Due Diligence checklist for each offering upon determining that the Due Diligence file is adequate. In the case of Fuqin Fintech, the checklist does not bear the signature of Moore or any other Principal. As such, the firm did not capture evidence that the Due Diligence file was reviewed by an appropriate principal.

Further, staff notes that the checklist has a section in which meetings with the issuer are to be filled in, to document the date, purpose and attendees of the meeting. However, in the case of Aerkomm, Inc, that section is blank. Staff does not have concerns that Due Diligence was conducted without holding any such meetings. Instead, staff is considering this a failure to fill in the Due Diligence checklist properly to demonstrate the nature of the Due Diligence investigation that was conducted on the offering.

One final example of deficiencies with respect to the checklist stems from the review of Section 3 – Compliance/Bad Actor Violations. One question asks, "Were any "Yes" Answers given to questions 28-37 in any of the Director and Officers and Controlling Shareholdings Questionnaires? If so, indicate for whom." The checklists for Fuqin Fintech and Aerkomm Inc, list a combined total of 17 individuals in response to this line

item on the checklist. For each of the individuals on the two offerings, staff reviewed the applicable questionnaires and there were no “Yes” answers to any questions regarding disciplinary history, fraud allegations or anything that could point to potential Bad Actor or compliance concerns. Rather, it appears that the numbers of the questionnaire had changed at some point, without having the corresponding question numbers changed on the checklist. While staff observed yes answers in questions 28-37, they were background questions about the appropriateness of that individual serving on a Board or Directors or in an officer role, gauging if he or she has taken Accounting classes, has an understanding of audit committee functions and the like. As such, this is another situation in which the firm is not filling in the Due Diligence checklist properly to demonstrate the nature of the Due Diligence investigation that was conducted on these offerings.

Staff notes that the firm has procedures regarding Due Diligence, but has determined that the establishment of more robust procedures may help the firm avoid deficiencies such as the above described going forward. Specifically, the procedures do not describe the individuals responsible for the preparation of the checklist and the expectations for filling out the checklist. The Due Diligence files provided by the firm showed that significant documentation had been reviewed, but little to nothing in the files showed the specific tasks performed, the nature of the review of the documents, the results of such reviews, the date such events occurred, and the individuals who conducted the reviews. It appears that this information is not in the files because nothing in the firm's Procedures requires the firm to capture such information.

FINRA Regulatory Notice 10-22 provides guidance to member firms about what constitutes reasonable due diligence processes, notably documentation of reasonable investigations, and procedures. Specifically, FINRA notes that firms should retain due diligence documents that include descriptions of the meetings that were conducted in the course of the investigation, including meetings with the issuer or other parties, the tasks performed, the documents and other information reviewed, the results of such reviews, the date such events occurred, and the individuals who attended the meetings or conducted the reviews.

Staff has determined that the above-described deficiencies stem from the failure on the part of the firm to establish adequate procedures relating to the firm's conduct of the Due Diligence investigation. As such, the firm did not comply with FINRA Rule 3110(b), which states in part, “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.”

4. EXCEPTION:

The firm was not in compliance with:

- **FINRA Rule 1220 (a) (1)**

Definition of Principal

DETAILS:

Through the firm's parent company, Boustead & Co. Ltd., Rep Daniel McClory is an indirect owner of Boustead Securities, LLC.

Rep McClory is one of four members of the Board of Directors of Boustead Securities, LLC. Staff requested and reviewed documents relating to the activities of the Board of Directors and has determined that McClory's role on the Board of Directors requires him to be registered as a General Principal of the broker-dealer.

FINRA Rule 1220(a) (1) states in part, "A "principal" is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions." A FINRA notice, NASD Notice to Members 99-49, clarifies that "an employee of a member who sits on its board of directors, is presumed to be involved in the day-to-day management of the member's business and therefore is required to be registered as a principal."

As such, as an indirect owner and employee of the of firm, who sits on the Board of Directors, McClory is involved in the day-to-day management of the firm and therefore is required to be registered as a principal. As a result, the firm is not in compliance with FINRA Rule 1220(a)(1).

It is worth noting that staff's reviews did not consider McClory's duties with Sutter Securities Clearing, LLC and Sutter Securities Incorporated. However, staff notes that he is a Registered Person of both broker-dealers and an indirect owner of both broker-dealers. If he is similarly a member of the Board of Directors of either or both, then that status would constitute an additional circumstance requiring his registration as a General Securities Principal at those firms.

5. EXCEPTION:

Daniel McClory (CRD 1390780) was not in compliance with:

- **FINRA Rule 1220 (a) (1)**
Definition of Principal

DETAILS:

Through the firm's parent company, Boustead & Co. Ltd., Rep Daniel McClory is an indirect owner of Boustead Securities, LLC.

Rep McClory is one of four members of the Board of Directors of Boustead Securities, LLC. Staff requested and reviewed documents relating to the activities of the Board of Directors and has determined that McClory's role on the Board of Directors requires him to be registered as a General Principal of the broker-dealer.

FINRA Rule 1220(a) (1) states in part, "A "principal" is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions." A FINRA notice, NASD Notice to Members 99-49, clarifies that "an employee of a member who sits on its board of directors, is presumed to be involved in the day-to-day management of the member's business and therefore is required to be registered as a principal."

As such, as an indirect owner and employee of the of firm, who sits on the Board of Directors, McClory is involved in the day-to-day management of the firm and therefore is required to be registered as a principal. As a result, the firm is not in compliance with FINRA Rule 1220(a)(1).

It is worth noting that staff's reviews did not consider McClory's duties with Sutter Securities Clearing, LLC and Sutter Securities Incorporated. However, staff notes that he is a Registered Person of both broker-dealers and an indirect owner of both broker-dealers. If he is similarly a member of the Board of Directors of either or both, then that status would constitute an additional circumstance requiring his registration as a General Securities Principal at those firms.

6. EXCEPTION:

Daniel McClory (CRD 1390780) was not in compliance with:

- **FINRA Rule 2010**

Standards of Commercial Honor and Principles of Trade

DETAILS:

FINRA Rule 3110(f)(2)(A) defines a branch office has a location held out to the public where an associated person regularly conducts the business of the firm. Business Cards are considered Communications with the Public and as such must comply with FINRA advertising rules that prohibit false or misleading communications.

Daniel McClory provided a business card to FINRA staff that referenced a business location in Beijing, China that is not registered as a branch location. Previously, the firm was cited by FINRA for the same violative conduct (See FINRA Matter 20170525271) related to McClory's use of business cards.

According to the firm, McClory used the business card in question because he ran out of business cards and provided an old business card to staff. Upon being informed by FINRA staff of the business card provided by McClory referencing the Beijing address, the firm fined McClory \$1,000.

As a result of his actions, Rep. McClory did not comply with FINRA Rule 2010, which states that, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

The items in this report and the examination process were reviewed during an Exit Meeting via conference call on October 29, 2019 with the following participants:

MEMBER ORGANIZATION PERSONNEL:

Joanne Park, CCO

Keith Moore, CEO

FINRA PERSONNEL:

Rodney Martin, Principal Examiner

Jay Tuminaro, Principal Regulatory Coordinator

Steven Brooks, Exam Director

Brian Kowalski, Surveillance Director

Lorna Ho, Principal Regulatory Coordinator

Colleen Diles, Surveillance Director

Kevin Fogarty, Principal Examiner

Ryan Phinney, Associate Principal Examiner

Wendy Velez, Examination Manager

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.