

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073332301**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Parsonex Capital Markets, LLC (Respondent)
Member Firm
CRD No. 169578

Pursuant to FINRA Rule 9216, Respondent Parsonex Capital Markets, LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Parsonex Capital Markets became a FINRA member in 2014. The firm, which is headquartered in Englewood, Colorado, has one branch office and six registered representatives. The firm's primary business consists of acting as a managing dealer or placement agent for private placements that it offers to retail investors.¹

OVERVIEW

Since June 30, 2020, Parsonex Capital Markets has omitted required information from the firm's customer relationship summary (Form CRS). Most significantly, from June 30, 2020, to February 9, 2023, the firm failed to disclose on its Form CRS that a number of its financial professionals had legal or disciplinary history. Additionally, since April 13, 2023, the firm has failed to update its Form CRS to disclose that its control affiliate has legal or disciplinary history. By filing and delivering to customers a Form CRS that omitted required information and then failing to update it, Parsonex Capital Markets willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.

¹ For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the 2022 FINRA Firm Examination of Parsonex Capital Markets.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, deliver, and update the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required “conversation starters” to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Exchange Act requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems “necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of” the Exchange Act. Exchange Act Rule 17a-14—titled “Form CRS, for preparation, filing and delivery of Form CRS”—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm’s public website.

Rule 17a-14 also requires broker-dealers to update Form CRS and file it within 30 days whenever any information in the Form CRS becomes materially inaccurate. The filing must include an exhibit highlighting changes. The updated Form CRS, with changes highlighted, or another disclosure that communicates the changes, must be delivered to retail investors who are existing customers within 60 days after the updates are required to be made and without charge.

A violation of Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14 also is a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

A. Parsonex Capital Markets has provided inaccurate responses to the Form CRS question concerning legal or disciplinary history.

Form CRS contains the heading, “Do you or your financial professionals have legal or disciplinary history?” The instructions to Form CRS state that a firm must respond “Yes” if it or any of its financial professionals discloses, or is required to disclose, legal or disciplinary history on specified regulatory disclosure forms, such as Forms BD, U4, U5, and U6.² Legal or disciplinary history that is required to be disclosed on those forms includes criminal history, regulatory actions, civil judicial actions, and specified financial events (*e.g.*, bankruptcies, judgments, and liens). Because a firm must disclose on Form BD not only its own legal or disciplinary history, but also that of its “control affiliates,”³ a firm must respond “Yes” to the Form CRS question concerning legal or disciplinary history if any of its control affiliates has legal or disciplinary history.⁴

First, between June 30, 2020, and February 9, 2023, Parsonex Capital Markets failed to respond “Yes” to the Form CRS question concerning legal or disciplinary history, even though four of its registered representatives in fact had prior legal or disciplinary history. Without addressing those representatives’ prior legal or disciplinary history, the firm responded, “No, the Firm does not have a disciplinary history.” At the time Parsonex Capital Markets filed its initial Form CRS on June 29, 2020, Form U4 or U6 filings for two of the firm’s registered representatives, including the firm’s Chief Financial Officer, disclosed prior legal or disciplinary history. And Form U4 or U5 filings for two additional registered representatives, who became associated with the firm in June 2021 and April 2022, likewise disclosed prior legal or disciplinary history. All of those filings, and the disclosures contained in the filings, were reflected in FINRA’s Central Registration Depository (CRD) and in BrokerCheck®, and were made by or were available to the firm. On February 9, 2023, the firm updated its Form CRS to respond, “Yes, while the Firm does not have any disciplinary history some of our representatives do.”

Second, Parsonex Capital Markets has failed, since April 13, 2023, to update its Form CRS to disclose that its control affiliate has legal or disciplinary history. On March 13, 2023, the control affiliate—an investment adviser that is registered with the U.S.

² These forms are submitted to the Central Registration Depository by member firms or regulators. Broker-dealers file Form BD (Uniform Application for Broker-Dealer Regulation) to become registered with the U.S. Securities and Exchange Commission, FINRA, other self-regulatory organizations, and jurisdictions (*e.g.*, U.S. states and territories); Form U4 (Uniform Application for Securities Industry Registration or Transfer) is used to elicit employment history, disciplinary, and other information about individuals, to register them with FINRA, other self-regulatory organizations, or jurisdictions; Form U5 (Uniform Termination Notice for Securities Industry Registration) is used to terminate individuals’ registrations with FINRA, other self-regulatory organizations, or jurisdictions, and to elicit details regarding the reasons for termination; and Form U6 (Uniform Disciplinary Action Reporting Form) is used by regulators to report disclosure events and disciplinary actions against individuals and organizations, and to report final FINRA arbitration awards against broker-dealers and associated persons.

³ According to Form BD, a “control affiliate” includes any individual or organization that directly or indirectly controls, is under common control with, or is controlled by, a firm.

⁴ See U.S. Securities and Exchange Commission, Frequently Asked Questions on Form CRS, *available at* <https://www.sec.gov/investment/form-crs-faq>.

Securities and Exchange Commission—entered into a cease-and-desist order with the Commission for failing to adopt and implement reasonably designed compliance policies and procedures as required under the Investment Advisers Act of 1940, and for failing to seek best execution of client securities transactions. Parsonex Capital Markets therefore was required to update its Form CRS by April 12, 2023—30 days after the Commission’s order. Regulatory disclosures reflecting the control affiliate’s disciplinary history were available to the firm in CRD and in BrokerCheck®. The firm updated its Form BD on April 11, 2023, to disclose that its control affiliate had been the subject of a disciplinary action. Nonetheless, Parsonex Capital Markets has failed to date to update its Form CRS to disclose that the control affiliate has legal or disciplinary history.

Therefore, Parsonex Capital Markets willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.

B. Parsonex Capital Markets has omitted other required information from its Form CRS.

Parsonex Capital Markets likewise has omitted from its Form CRS other required information. Specifically, the Instructions to Form CRS require the firm to include specific headings and disclosures about potential conflicts of interest, including the following language:

When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some examples to help you understand what this means.

Both versions of the firm’s Form CRS omit this required language.

Parsonex Capital Markets also failed, in both versions of its Form CRS, to disclose under the heading, “What fees will I pay?,” a discussion of conflicts of interest. The Instructions to Form CRS require the firm to summarize “the principal fees and costs that retail investors will incur” for brokerage services, including the conflicts of interest they create. Neither version of the firm’s Form CRS contains this required summary.

Therefore, Parsonex Capital Markets willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;

- a \$10,000 fine;⁵ and
- an undertaking that, within 30 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has reviewed and remediated the deficiencies in its Form CRS, and has filed, delivered, and posted to its website a Form CRS that complies with Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Jamie Keesing, Counsel, FINRA, Department of Enforcement, 9509 Key West Avenue, Gira Building, Rockville, MD 20850, with a copy to Jamie.Keesing@finra.org and EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that this settlement includes a finding that it willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Rule 17a-14 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

⁵ Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources.

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

October 19, 2023

Date

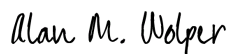


Parsonex Capital Markets, LLC
Respondent

Jonathan Miller
Print Name:

Title: President / CEO

Reviewed by:



Alan M. Wolper
Counsel for Respondent
Ulmer & Berne LLP
500 W. Madison Street, Suite 3600
Chicago, IL 60661

Accepted by FINRA:

November 8, 2023

Date

Signed on behalf of the
Director of ODA, by delegated authority

Jamie P. Keesing

Jamie P. Keesing

Counsel

FINRA

Department of Enforcement

9509 Key West Avenue, Gira Building

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