FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060263201

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

RE: SI Securities, LLC (Respondent)
Member Firm
CRD No. 170937

Pursuant to FINRA Rule 9216, Respondent SI Securities, 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

SI Securities, LLC has been a FINRA member since 2014. The firm is headquartered in Boston, Massachusetts. It has four registered representatives. Until May 2023, SI Securities and its affiliates operated an online platform through which its customers invested in private placements. As of May 2023, the firm no longer operates that platform, and the firm stopped selling private placements, and has since limited its operations.[1]

OVERVIEW

From December 2022 to January 2023, SI Securities failed to terminate a private placement offering and return investor funds when a material change occurred to the minimum contingency, in violation of Securities Exchange Act of 1934 Rule 10b-9 and FINRA Rule 2010. From May 2017 to May 2023, the firm failed to return funds directly from its escrow agent to investors in terminated offerings, in violation of Section 15(c)(2) of the Exchange Act, Rule 15c2-4 thereunder, and FINRA Rule 2010. From January 2016 through March 2021, for 56 private placement offerings, the firm failed to file timely required documents with FINRA and failed to provide all required information or documents for an additional two offerings, in violation of FINRA Rules 5123 and 2010. From January 2016 to January 2022, the firm failed to keep a separate file of all written

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

customer complaints, in violation of FINRA Rules 4513 and 2010. From January 2016 to December 2021 and January 2023 to May 2023, the firm failed to report at least 55 written customer complaints to FINRA, in violation of FINRA Rules 4530(d) and 2010. Between June 2020 and May 2023, the firm failed to establish and maintain a supervisory system, including any written supervisory procedures (WSPs), reasonably designed to achieve compliance with requirements to prepare, file, and deliver a customer relationship summary (Form CRS), in violation of FINRA Rules 3110 and 2010. Between June 2020 and May 2023, it also failed to deliver a Form CRS to retail customers, therefore it willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14.

FACTS AND VIOLATIVE CONDUCT

This matter originated from reviews by FINRA's Corporate Financing Department and Member Supervision.

A. SI Securities Failed to Return Investor Funds after a Material Change to the Minimum Contingency in One Offering.

Exchange Act Rule 10b-9 requires, in connection with the sale of securities on an "all-or-none" or "part-or-none" basis, disclosure to investors that consideration paid for securities will be promptly refunded unless the minimum number of securities are sold at a specified price within a specified time, and the total amount due to the seller is received by a specified date. The offering may only be considered "sold" if the securities are sold in bona fide transactions and are fully paid for. A "contingency offering" is when the offering is subject to the satisfaction of an underlying condition, including a minimum contingency amount. While not a guarantee, satisfaction of the minimum contingency indicates to investors that the offering was priced fairly.

Any change in a material term of an "all-or-none" or "part or none" offering requires the offering to be terminated and investor funds to be returned. Investors cannot waive this requirement by affirmatively consenting to the changes, except to extend the termination date of the offering. A broker-dealer that fails to terminate an offering following a material change to the terms of an offering—including changing the minimum contingency amount—violates Exchange Act Rule 10b-9.

A violation of Exchange Act Rule 10b-9 is also a violation of FINRA Rule 2010, which requires members and associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Beginning in October 2022, SI sold subscriptions to a private placement offering on a best efforts basis. The private placement memorandum stated that a closing would not occur until the offering met a minimum contingency of $1.29 million in investor subscriptions by the December 2, 2022, termination date. On December 1, 2022, the issuer reduced the minimum contingency amount to $790,000. Because this reduction was a material change to the terms of the offering, SI Securities was required to, but did not, terminate the offering and return investor funds at that time. Instead, on December 9,

2022, the firm asked investors via email to affirmatively reconfirm their subscriptions subject to the reduced minimum contingency amount. Customers who did not affirmatively reconfirm their subscription were refunded in full. After the offering raised approximately $935,000, an amount that exceeded the amended contingency target, the firm permitted the issuer to close in January 2023. The firm's instructions to the escrow agent to release the funds to the issuer and its internal records showed that the original minimum contingency of $1.29 million was not met and that funds were not returned to investors following the material change to the offering.

Therefore, Respondent willfully violated Exchange Act Rule 10b-9 and FINRA Rule 2010.

B. SI Securities Failed to Return Funds Directly to Investors for Terminated Offerings.

A broker-dealer that participates in a contingency offering and receives funds from investors must comply with the requirements of Exchange Act Rule 15c2-4. Rule 15c2-4 requires investor funds in a contingency offering to be promptly (1) deposited in a separate bank account as agent or trustee, with the funds promptly transmitted or returned to investors if the contingency is not met, or (2) transmitted to a bank that has agreed in writing to hold the funds in escrow and transmit or return such funds directly to the customers if the contingency is not met. Therefore, a broker-dealer must ensure that investors' funds are promptly refunded and returned directly to investors when a contingency offering fails to meet the contingency minimum. A violation of Exchange Act Rule 15c2-4 is also a violation of FINRA Rule 2010.

From May 2017 through May 2023, the firm received investor funds and transmitted them to a bank acting as its escrow agent. For terminated offerings that did not meet the minimum contingency, the firm instructed the escrow agent to send refunds to a separate firm account designated as a "Special Account for the Exclusive Benefit of Customers of SI Securities," rather than directly to investors. The firm promptly reimbursed investors from the special account. The firm processed approximately 1,000 customer refunds in this manner. The firm ceased selling private placement offerings in May 2023.

Therefore, Respondent violated Section 15(c)(2) of the Exchange Act, Rule 15c2-4 thereunder, and FINRA Rule 2010.

C. SI Securities Failed to File Timely with FINRA Required Documents and Information for More than 50 Private Placements.

FINRA Rule 5123 requires member firms selling a private placement to (1) submit to FINRA a copy of any private placement memorandum, term sheet, other offering document, or retail communication promoting or recommending the private placement used in connection with such sale within 15 calendar days of the date of first sale or (2) notify FINRA that no such offering documents or retail communications were used. A violation of FINRA Rule 5123 is also a violation of FINRA Rule 2010.

From January 2016 through March 2021, SI Securities failed to meet the filing requirements for 58 private placements. For 39 offerings, the firm made the filings between two and 383 days late. For 17 offerings, the firm failed to file any documents or notify FINRA that no such documents were used. And for two offerings, the firm did not provide all required information or documents. After March 2021, the firm filed timely all required documents with FINRA.

Therefore, Respondent violated FINRA Rules 5123 and 2010.

D. SI Securities Failed to Keep a Separate File of All Written Customer Complaints.

FINRA Rule 4513 requires each member firm to "keep and preserve . . . a separate file of all written customer complaints." A violation of FINRA Rule 4513 is also a violation of FINRA Rule 2010.

From January 2016 through January 2022, SI Securities failed to keep a separate file of all written customer complaints.

Therefore, Respondent violated FINRA Rules 4513 and 2010.

E. SI Securities Failed to Report Customer Complaints to FINRA.

FINRA Rule 4530(d) requires firms to "report to FINRA statistical and summary information regarding written customer complaints in such detail as FINRA shall specify by the 15th day of the month following the calendar quarter in which customer complaints are received by the member." To comply with Rule 4530(d), members must report any written grievance by a customer if the grievance concerns the member or an associated person of the member.[2] A violation of FINRA Rule 4530 also constitutes a violation of FINRA Rule 2010.

From January 2016 through January 2022, SI Securities failed to report at least 15 customer complaints as a result of its misunderstanding of what was required to be reported under FINRA Rule 4530(d). Specifically, until February 2022, the firm mistakenly believed that only operational complaints needed to be reported.

From February 2023 through May 2023, the firm failed to report at least 40 customer complaints. During this period, the firm received a high number of written customer communications, many of which were complaints, related to an issuer that announced it was seeking to file for corporate dissolution. The firm failed to report all of the complaints because it failed to adequately differentiate customer complaints from the

[2] FINRA Rule 4530, Supplementary Material .08.

voluminous customer communications it received regarding the issuer.[3] In May 2023, the firm shut down its operations after its parent company sold the firm's investment platform.

Therefore, Respondent violated FINRA Rules 4530(d) and 2010.

F. SI Securities Failed to Have a Supervisory System, Including Written Supervisory Procedures, Reasonably Designed to Achieve Compliance with its Form CRS Obligations and Failed to Deliver Timely Form CRS to Customers.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare and deliver 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.

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

A violation of Exchange Act § 17(a)(1), Exchange Act Rule 17a-14 and FINRA Rule 3110 is also a violation of FINRA Rule 2010.

Between June 30, 2020, and May 5, 2023, SI Securities failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with

[3] During this period, the firm reported 75 customer complaints under Rule 4530, most of which related to the issuer filing for dissolution.

Form CRS requirements. From June 30, 2020, through February 28, 2022, the firm's WSPs contained no provisions relating to Form CRS. In March 2022, the firm updated its WSPs to provide guidance regarding Form CRS. However, SI Securities did not meaningfully change its methods of Form CRS delivery and did not fully implement the WSPs. SI Securities has had no retail customer transactions since May 2023.

SI Securities also failed to deliver timely Form CRS to its retail customers. Specifically, SI Securities failed to deliver Form CRS to over 15,000 existing retail customers within 30 days of June 30, 2020. Additionally, in at least 20,000 instances between June 30, 2020, and May 5, 2023, the firm failed to deliver Form CRS to retail investors when issuing a recommendation, placing an order, opening a brokerage account, or recommending or providing a new service. The firm's only method of delivery was to provide a link to Form CRS when investors signed up or made transactions via the firm's website. However, that link was not prominently displayed and therefore did not satisfy the Form CRS delivery requirement. Separately, the firm posted Form CRS to its website, but the Form CRS was not posted prominently and therefore did not satisfy the Form CRS website posting requirements.

Therefore, Respondent willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rules 3110 and 2010.

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

- a censure; and
- a $185,000 fine.

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 § 17(a)(1) and Rules 17a-4 and Rule 10b-9 of the Securities Exchange Act of 1934 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;

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.

6/28/24
Date

SI Securities, LLC
Respondent

Print Name: Paige Rand

Title: Chief Compliance Officer

Reviewed by:

Todd M. Beaton, Jr.
Counsel for Respondent
McGuireWoods LLP
1251 Avenue of the Americas
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New York, NY 10020

Accepted by FINRA:

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

July 2, 2024

Date

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