

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

TradeSpot Markets, Inc.
FINRA Member Firm
CRD No. 29683

and

Mark B. Beloyan
Registered Representative
CRD No. 1392748

Respondents.

Disciplinary Proceeding
No. 2013037033101

Hearing Officer – MJD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: September 1, 2016

INTRODUCTION

Disciplinary Proceeding No. 2013037033101 was filed on May 4, 2016, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondents TradeSpot Markets, Inc. ("TradeSpot" or the "Firm") and Mark B. Beloyan ("Beloyan") submitted an Offer of Settlement ("Offer") to Complainant dated August 26, 2016. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set

forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, as amended by the Offer, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, as amended by the Offer, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

Beloyan first became registered as a General Securities Representative with a FINRA member in July 1985. Beloyan became associated with TradeSpot in January 1992 and became registered with the Firm as a General Securities Representative, General Securities Principal, and Financial and Operations Principal in March 1992. Beloyan also became registered as an Investment Banking Representative in December 2009, as an Operations Professional in November 2011, and as a Registered Options Principal in November 2013, all with TradeSpot. Beloyan remains registered in these capacities at TradeSpot.

TradeSpot has been a FINRA member since March 1992. The Firm, whose main office is in Davie, Florida, is licensed to sell corporate equity and debt securities, mutual funds, and government securities among other products. TradeSpot is owned by Beloyan who also serves as its President, Chief Compliance Officer, and Chief Operating Officer. TradeSpot is an introducing firm and clears through another FINRA member.

TradeSpot and Beloyan have a disciplinary history.

In August 2011, TradeSpot was censured and fined \$25,000 and Beloyan was suspended from association with any FINRA member in all capacities for one month and in a principal capacity for two months for selling a low-priced security to a customer that was neither registered with the SEC nor exempt from registration. Respondents were also found to have failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with applicable rules and regulations regarding the distribution of unregistered and non-exempt securities.

In January 2012, Tradespot and Beloyan were fined, jointly and severally, a total of \$13,500, ordered to pay costs, and Beloyan was suspended from association with any FINRA member in any capacity for ten business days for recommending the purchase of securities in emails that were unbalanced, misleading, and omitted material facts and for recommending to customers an OTC equity without reviewing current financial statements for the issuer.

Beloyan is currently registered with FINRA and TradeSpot is currently a FINRA member firm; they are therefore subject to FINRA's jurisdiction pursuant to FINRA By-Laws Article IV, Section 1, and Article V, Section 2.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. Between February 1, 2013 and March 31, 2015 (the "Review Period"), TradeSpot, through Beloyan, its President, Chief Operating Officer, and owner, and another registered representative, recommended penny stocks and engaged in penny stock transactions without complying with the requirements for penny stock transactions enumerated under Section 15(h) and Rule 15g-9 of the Securities Exchange Act of 1934 ("Exchange Act").

2. In connection with penny stock transactions through TradeSpot, Beloyan sent customers a Customer Suitability Statement for their review and signature without first documenting an affirmative determination of suitability on the document, as required under Rule 15g-9.

3. Beloyan inappropriately completed the dates next to certain customer signature lines on Customer Suitability Statements and Agreement to Purchase forms before sending the documents to customers so the dates on those documents may not reflect the actual dates that the customers signed the documents.

4. For the account of customer BAG, involving two penny stock transactions, TradeSpot, acting through Beloyan, failed to complete the Customer Suitability Statement or Agreement to Purchase form.

5. Finally, TradeSpot and Beloyan violated NASD Rule 3010 and FINRA Rules 3110 and 2010, because the Firm's written supervisory procedures were deficient in connection with the penny stock rules.¹

FIRST CAUSE OF ACTION

**Failure to Effect Transactions in Penny Stocks
in Conformity with the Penny Stock Rules**

**Violation of Section 15(h) and Rule 15g-9 of the Exchange Act
and FINRA Rule 2010
(TradeSpot)**

**Causing TradeSpot to Effect Transactions in Penny Stocks
that are not in Conformity with the Penny Stock Rules**

**Violation of FINRA Rule 2010
(Beloyan)**

¹ NASD Rule 3010 was in effect until December 1, 2014. FINRA Rule 3110 was in effect from December 1, 2014 through the balance of the Review Period.

Certain Requirements Under Federal Law and Rules Related to Penny Stocks

6. Section 15(h) of the Exchange Act ("Section 15(h)") prohibits brokers and dealers from using the mails or any means or instrumentality of interstate commerce to effect any transaction in penny stock by any customer except in accordance with the requirements of Section 15(h) and the rules and regulations prescribed thereunder.

7. Rule 15g-9 of the Exchange Act ("Rule 15g-9") makes it unlawful for a broker or dealer to sell a penny stock to, or to effect the purchase of a penny stock by, any person unless, prior to the transaction, the broker or dealer has approved the person's account for transactions in penny stocks and has received from the person an agreement to the transaction.

8. Rules 15g-9(b)(1) and (2) specifically require that prior to the transaction, in order to approve a person's account for transactions in penny stocks, the broker or dealer must reasonably determine, based on the person's financial situation, investment experience, investment objectives, and any other information known by the broker or dealer, that transactions in penny stocks are suitable for the person. Under Rule 15g-9(b), the broker or dealer must also determine that the person has sufficient knowledge and experience in financial matters such that the person reasonably may be expected to be capable of evaluating the risks of transactions in penny stocks.

9. Rule 15g-9(b)(3) requires that in order to approve a person's account for transactions in penny stocks, a broker or dealer must deliver to the person a written statement setting forth the basis on which the broker or dealer made the determination of suitability as set forth in Rule 15g-9(b)(2) as described above (also known as an "affirmative determination").

10. Rule 15g-9(b)(4) requires that in order to approve a person's account for transactions in penny stocks, a broker or dealer must also obtain from the person a signed and dated copy of the statement required under Rule 15g-9(b)(3).

11. Rule 15g-9(b)(4) makes it unlawful for a broker or dealer to effect the purchase of a penny stock for the account of a customer less than two business days after the broker-dealer sends the statement to the person.

Respondents' Transactions in Penny Stocks for Customer Accounts

12. During the Review Period, TradeSpot, acting through Beloyan and another broker, recommended the purchase of penny stocks and engaged in penny stock transactions with customers who were not otherwise exempt from the penny stock rules, without complying with the obligations under Rule 15g-9. For 12 customers involving 15 transactions identified in Attachment A to the Complaint, TradeSpot, acting through Beloyan, failed to make an affirmative determination of suitability and document that determination of suitability on the Customer Suitability Statement prior to sending the document to customers for their review and signature.

13. During the Review Period, TradeSpot, acting through Beloyan, consistently entered information in the "Suitability Determination" section of the Customer Suitability Statement only after the customers signed and returned the document to TradeSpot.

14. Consequently, before effecting the transaction in penny stock, customers did not have the benefit of reviewing TradeSpot or Beloyan's affirmative determination of the customers' suitability to effect transactions in penny stock.

15. During the Review Period, TradeSpot, acting through Beloyan, entered a date next to the customer signature line on certain Customer Suitability Statements prior to sending the document to the customer for review and signature. The customer, not Beloyan, should have entered the date to ensure that it accurately reflected the date the customer actually signed the document.

16. The date entered by Beloyan on those Customer Suitability Statements next to the customer signature line may not accurately represent the date that the customer signed the document.

17. During the Review Period, TradeSpot, acting through Beloyan, entered a date next to the customer signature line on certain Agreement to Purchase forms prior to sending the document to the customer for review and signature. The customer, not Beloyan, should have entered the date to ensure that it accurately reflected the date the customer actually signed the document.

18. The date entered by Beloyan on those Agreement to Purchase forms next to the customer signature line may not accurately represent the date that the customer signed the document.

19. There is nothing on the Customer Suitability Statements or Agreement to Purchase forms to indicate that Beloyan – not the customer – completed the dates, or that it may not accurately reflect the date the customer signed the documents.

20. Furthermore, TradeSpot, acting through Beloyan, failed to complete the Customer Suitability Statement and Agreement to Purchase form for the account of customer BAG involving two penny stock transactions. The customer account and transactions were not exempt

from the penny stock rules under Section 15(h) or Rule 15g-1. The account and transactions are included in Attachment A to the Complaint.

21. During the Review Period, Beloyan:

- a. failed to comply with the penny stock rules by not providing customers with his affirmative determination of suitability prior to the customers reviewing and signing the Customer Suitability Statement;
- b. improperly entered a date next to the customer signature line that did not necessarily represent the date the customer signed the document; and
- c. failed to comply with the penny stock rules by not providing the required Customer Suitability Statement and Agreement to Purchase form for two penny stock transactions executed for the account of customer BAG.

22. As a result of the foregoing conduct, TradeSpot violated Section 15(h) and Rule 15g-9 of the Exchange Act and FINRA Rule 2010 and Beloyan violated FINRA Rule 2010.

SECOND CAUSE OF ACTION

Deficient Written Supervisory Procedures

Violation of NASD Rule 3010 and FINRA Rules 3110 and 2010 (TradeSpot and Beloyan)

23. NASD Rule 3010(b) requires that each FINRA member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable rules of [FINRA].”

24. FINRA Rule 3110(b) requires that each FINRA member 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.

25. During the Review Period, Beloyan was responsible for implementing and updating TradeSpot's Written Supervisory Procedures Manual ("WSPs").

26. During the Review Period, the WSPs included Section 16, entitled Penny Stocks.

27. During the Review Period, the WSPs addressing penny stocks were deficient in the following ways:

- a. The WSPs did not adequately establish procedures for how the Customer Suitability Statement should be completed by TradeSpot, including the affirmative determination of suitability, prior to being sent to the customer for review and signature;
- b. The WSPs did not adequately establish procedures for how customers were to be informed of information required to be disclosed pursuant to Rules 15g-2, 15g-3, 15g-4, and 15g-5, which included disclosure of Schedule 15G, penny stock bid and ask quotes, and Firm and broker compensation; and
- c. The WSPs did not adequately establish procedures for ensuring that transactions in penny stocks were not effected sooner than the time allowed under Rule 15g-9(b)(4)(ii).

28. As a result of the foregoing, TradeSpot and Beloyan violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

Based on the foregoing, Respondent TradeSpot violated Section 15(h) and Rule 15g-9 of the Exchange Act, NASD Rule 3010, and FINRA Rules 3110 and 2010, and Respondent Beloyan violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Exchange Act.

SANCTIONS

It is ordered that Respondent TradeSpot be censured, fined \$10,000, and undertake the following: (a) for one year from the effective date of this Offer, the Firm shall not effect any solicited or recommended purchase transactions in penny stocks; and (b) within 30 days of the issuance of a Notice of Acceptance of the Offer in this matter, retain a consultant not unacceptable to FINRA to conduct a review of TradeSpot's written supervisory procedures relating to its compliance with the penny stock rules. Within 60 days of being retained, the consultant will prepare updated written supervisory procedures that are reasonably designed to ensure compliance with the penny stock rules. Within 30 days thereafter, Beloyan shall certify in writing to James E. Day, Vice President and Chief Counsel, FINRA Department of Enforcement, that (i) TradeSpot retained a consultant who conducted the review described above, and (ii) as of the date of the certification, TradeSpot has in place policies and procedures as recommended by the consultant to address and correct the violations described in the Offer.

FINRA staff may, upon a showing of good cause and in its sole discretion, extend the time for compliance with this provision.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine against the Firm in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

It is further ordered that Respondent Beloyan be suspended from association with any FINRA member for 60 days as follows: 50 days from association with any FINRA member in any principal capacity; and consecutively, 10 days from association with any FINRA member firm in any capacity.

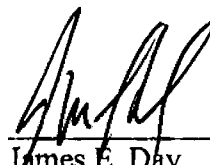
Respondent Beloyan has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent Beloyan, no monetary sanctions will be imposed.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



James E. Day
Vice President & Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850
301-258-8520