

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GURPREET CHANDHOKE
(CRD No. 4999369)

and

STEPHEN SHEA
(CRD No. 3274649),

Respondents.

Disciplinary Proceeding
No. 2015047244701

Hearing Officer—LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 4, 2020

INTRODUCTION

Disciplinary Proceeding No. 2015047244701 was filed on August 12, 2019, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondents Gurpreet Chandhoke and Stephen Shea submitted an Offer of Settlement (Offer) to Complainant dated October 22, 2020. 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 understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Chandhoke entered the securities industry in August 2005 when he first associated with a FINRA member firm. Between August 2005 and September 2012, he was registered with FINRA as a General Securities Representative through his association with six different member firms. Between September 2012 and September 2014, Chandhoke was associated with Gordian Investments, LLC (CRD No. 158611) (Gordian). Between January 2015 and April 2016, he was associated with Penserra Securities, LLC (CRD No. 145994) (Penserra). Between April 2016 and August 2017, he was associated with Arete Wealth Management, LLC (CRD No. 44856) (Arete). Chandhoke was registered with FINRA as a General Securities Representative through his association with each of these firms.

Shea entered the securities industry in July 1999 when he first associated with a FINRA member firm. Between December 1999 and September 2012, he was registered with FINRA as a General Securities Representative through his association with seven different member firms. Between September 2012 and September 2014, Shea was associated with Gordian. Between January 2015 and April 2016, he was associated with Penserra. Between April 2016 and August 2017, he was associated with Arete. Shea was registered with FINRA as a General Securities Representative through his association with each of these firms.

In April 2009, Chandhoke and Shea co-founded VII Peaks Capital LLC (VII Peaks Capital), an investment advisory company that is registered with the Securities and Exchange

Commission (SEC). Chandhoke is currently a Registered Investment Advisor and was registered as such between March 2014 and August 2017.

Although Chandhoke and Shea are no longer registered with FINRA or associated with FINRA member firms, they each remain subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (1) the Complaint was filed within two years after the effective date of termination of both Chandhoke's and Shea's registration with Arete, namely, August 16, 2017; and (2) the Complaint charges Chandhoke and Shea with misconduct committed while they were registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

SUMMARY

Over the course of more than three years, between March 2014 and August 2017, Respondents Gurpreet Chandhoke and Stephen Shea consistently failed to meet their obligations to disclose private securities transactions and other outside business activities to the FINRA member firms with which they were associated. During portions of the same time period, Chandhoke also separately engaged in unethical business-related misconduct by: (i) structuring deposits of cash into multiple bank accounts to evade federal reporting requirements and (ii) making false statements to a member firm to obtain a line of credit. As a result of their misconduct, Respondents violated various NASD and FINRA Rules.

Between April 2014 and October 2016, Chandhoke and Shea failed to disclose to their employer member firms several outside business activities (OBAs). By this conduct, Chandhoke and Shea violated FINRA Rules 3270 and 2010.

Between December 2015 and May 2016, Chandhoke and Shea failed to disclose to their employer member firms several outside accounts they opened and held at another FINRA member firm. By this conduct, Chandhoke and Shea violated NASD Rule 3050(c) and FINRA Rule 2010.

Between March 2014 and March 2017, Chandhoke and Shea participated in a number of private securities transactions (PSTs) totaling over \$1 million. Chandhoke and Shea failed to provide their employer member firms with prior notice of these securities transactions and never received written approval from their employer member firms to participate in the transactions. By this conduct, Chandhoke and Shea violated NASD Rule 3040 (for conduct occurring prior to September 21, 2015) and FINRA Rules 3280 (for conduct occurring on or after September 21, 2015) and 2010.

Over a period of 10 days in June and September 2016, Chandhoke structured 37 cash deposits made into four separate bank accounts. The deposits, totaling \$72,950, were made at ATMs in the Los Angeles and San Francisco Bay areas and were structured in amounts below \$10,000 for the purpose of attempting to evade federal reporting requirements that would have caused a financial institution to file Currency Transaction Reports (CTRs). By this conduct, and by virtue of his violations of 31 U.S.C. § 5324(a) and 31 C.F.R. § 1010, Chandhoke violated FINRA Rule 2010.

In May 2016, Chandhoke opened a line of credit in the name of his entity Chandhoke Holdings, LLC at a FINRA member firm. When completing and signing documentation necessary to open the account, Chandhoke acknowledged that no part of the line of credit would be used to purchase, carry, or trade in securities. That acknowledgment was false however, because, as Chandhoke knew at the time he opened the line of credit, he intended to use the

proceeds from the line of credit to allow him to purchase securities in another account. Further, Chandhoke did, in fact, use the proceeds from the line of credit in that manner. Chandhoke also falsely indicated that the purpose of the account was to “[f]inance business operations or assets.” By this conduct, Chandhoke violated FINRA Rule 2010.

FIRST CAUSE OF ACTION

FAILURE TO DISCLOSE OUTSIDE BUSINESS ACTIVITIES

Violations of FINRA Rules 3270 and 2010 by Chandhoke and Shea

FINRA Rule 3270 provides that “[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.”

FINRA Rule 2010 requires members and associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

Between at least April 2014 and October 2016, while Chandhoke and Shea were associated with Gordian, Penserra, and Arete, those firms had Written Supervisory Procedures (WSPs) that required associated persons to provide written notice to the firms prior to engaging in an outside business activity.

Between approximately April 2014 and October 2015, Chandhoke and Shea together formed two entities with the intent of engaging in, and did in fact engage in, non-securities

business activities, but failed to provide prior written notice regarding those outside business activities to their employer member firms, Gordian and Penserra.

Between November 2014 and October 2016, Chandhoke engaged in two additional non-securities business activities but failed to provide prior written notice regarding those outside business activities to his employer member firms, Penserra and Arete.

AlesiaTec, Inc. (Chandhoke and Shea)

In April 2014, while they were associated with Gordian, Chandhoke and Shea formed AlesiaTec as a Delaware corporation. AlesiaTec was formed as a technology company meant to develop and provide software for data analytics.

Chandhoke was the Chief Executive Officer of AlesiaTec, and Shea was the President. Both Chandhoke and Shea participated in various business activities for AlesiaTec including creating and distributing offering materials and soliciting investors.

Chandhoke and Shea failed to provide Gordian with written notice identifying AlesiaTec as an outside business activity prior to forming the entity and participating in business activities on its behalf.

PFU, LLC (Chandhoke and Shea)

In October 2014, Chandhoke and Shea formed PFU, LLC (PFU) as a Delaware company. At the time PFU was formed, Chandhoke and Shea were not associated with a FINRA member firm.

Chandhoke and Shea established PFU as a holding company through which they intended to make real estate investments and lease property. Both Chandhoke and Shea participated in business activity for PFU, including opening and maintaining a bank account on behalf of PFU

and making a down payment for a piece of real property in February 2015. PFU was dissolved in October 2015.

When Chandhoke and Shea became associated with Penserra in January 2015, they failed to provide Penserra written notice identifying PFU as an outside business activity.

Between January and October 2015, Chandhoke and Shea also failed to provide Penserra with written notice identifying PFU as an outside business activity.

Chandhoke Holdings, LLC (Chandhoke)

In November 2014, Chandhoke created Chandhoke Holdings, LLC (Chandhoke Holdings) as a Delaware company. The company was a single member LLC completely owned and controlled by Chandhoke. At the time Chandhoke Holdings was formed, Chandhoke was not associated with a FINRA member firm.

Beginning in or about May 2016, Chandhoke secured a \$250,000 loan for Chandhoke Holdings and then used Chandhoke Holdings as a means by which to obtain credit with Firm A, a FINRA member firm.

Between May 2016 and October 2016, while associated with Arete, Chandhoke failed to provide Arete with prior written notice identifying Chandhoke Holdings as an outside business activity.

Relativity Media, LLC (Chandhoke)

Between May and October 2015, while associated with Penserra, Chandhoke held a position as a “board manager” at Relativity Media, LLC.

Relativity Media, LLC was the operating company of Relativity Holdings LLC and was, according to its promotional material, a “privately-held Hollywood studio with a revolutionary, fully integrated and diversified global media platform. . . .”

Between May and October 2015, Chandhoke failed to provide Penserra with prior written notice identifying his position as a “board manager” of Relativity Media, LLC as an outside business activity.

By reason of the foregoing conduct, Chandhoke and Shea violated FINRA Rules 3270 and 2010.

SECOND CAUSE OF ACTION

FAILURE TO DISCLOSE OUTSIDE ACCOUNTS

Violations of NASD Rule 3050(c) and FINRA Rule 2010 by Chandhoke and Shea

NASD Rule 3050(c) provided that: “[a] person associated with a member, prior to opening an account or placing an initial order for the purchase or sale of securities with another member, shall notify both the employer member and the executing member, in writing, of his or her association with the other member; provided, however, that if the account was established prior to the association of the person with the employer member, the associated person shall notify both members in writing promptly after becoming so associated.”

A violation of NASD Rule 3050(c) is also a violation of FINRA Rule 2010.

Chandhoke and Shea Fail to Disclose Four Outside Accounts

Between December 2015 and May 2016, while Chandhoke and Shea were associated with Penserra and Arete, they opened four accounts at Firm A, a FINRA member firm. Specifically, Chandhoke and Shea opened:

- a. Account ending in 4050 (Account 4050) in the name of AlesiaTec on or about December 14, 2015;
- b. Account ending in 3979 (Account 3979) in the name of VII Peaks Capital on or about December 22, 2015.

- c. Account ending in 0277 (Account 0277) in the name of VII Peaks Capital on or about February 29, 2016; and
- d. Account ending in 7734 (Account 7734) in the name of AlesiaTec on or about May 31, 2016.

Chandhoke and Shea had a financial interest in each account at Firm A because they opened and held the accounts in the names of entities that they owned and controlled.

Between at least December 2015 and March 2016, Penserra maintained WSPs that required employees to notify the firm in writing prior to opening an account or placing an initial order in a securities account with another FINRA member.

Between at least April 2016 and August 2017, Arete maintained WSPs that required employees to notify the firm in writing prior to opening an account or placing an initial order in a securities account with another financial institution.

Chandhoke and Shea failed to provide written notice of Accounts 4050, 3979, and 0277 to their employer member firms, Penserra and Arete.

Chandhoke and Shea also failed to provide written notice of Account 7734 to their employer member firm, Arete.

Chandhoke and Shea also failed to inform Firm A in writing or otherwise that they were associated with Penserra and Arete during the periods that they were associated with those firms.

By reason of the foregoing conduct, Chandhoke and Shea violated NASD Rule 3050(c) and FINRA Rule 2010.

Chandhoke Fails To Disclose an Additional Three Accounts

In May 2016, while Chandhoke was associated with Arete, he opened three accounts at Firm A in the name of Chandhoke Holdings. Specifically, on or about May 25, 2016, Chandhoke opened: Account ending 0259; Account ending 9114; and Account ending 9483.

Chandhoke held a financial interest in each account at Firm A because he opened and held the accounts in the name of an entity that he solely owned and controlled.

Between at least April 2016 and August 2017, Arete maintained WSPs that required employees to notify the firm in writing prior to opening an account or placing an initial order in a securities account with another financial institution.

Chandhoke failed to provide written notice to Arete prior to opening the Chandhoke Holdings accounts.

Chandhoke also failed to inform Firm A in writing that he was associated with Arete.

By reason of the foregoing conduct, Chandhoke violated NASD Rule 3050(c) and FINRA Rule 2010.

THIRD CAUSE OF ACTION

PRIVATE SECURITIES TRANSACTIONS

Violations of NASD Rule 3040 and FINRA Rules 3280 and 2010 by Chandhoke and Shea

FINRA Rule 3280 and its predecessor NASD Rule 3040 state that “[n]o person associated with a member shall participate in any manner in a private securities transaction” unless, prior to participation he or she provides “written notice to the member with which he [or she] is associated describing in detail the proposed transaction and person’s proposed role therein[.]”

NASD Rule 3040 and FINRA Rule 3280 define a private securities transaction as “any securities transaction outside the regular course or scope of an associated person’s employment with a member[.]”

Violations of NASD Rule 3040 and FINRA Rule 3280 are also violations of FINRA Rule 2010.

While Chandhoke and Shea were associated with Gordian and Arete, the firms each had WSPs that, like FINRA’s rules, required an associated person to disclose information regarding a PST and the associated person’s role in the PST prior to participating, in any manner, in the PST. In addition, each firm’s WSPs required an associated person to receive written approval for a PST from the firm prior to participation.

Between March 2014 and March 2017, while associated with Gordian and Arete, Chandhoke and Shea participated in PSTs totaling \$1,039,925 without providing written notice of the PSTs to their employer member firms prior to their participation.

The VII Peaks BDC Investors PSTs

During 2011 and 2012, Chandhoke and Shea launched a series of investment funds called the VII Peaks Co-Optivist Funds (the Co-Optivist Funds) as part of a joint venture between VII Peaks Capital and a managing broker-dealer, KBR Capital Markets, LLC (KBR). One of those funds was a business development company called VII Peaks-KBR Co-Optivist Income BDC II, Inc.

KBR initially participated in raising capital, but in September 2013, KBR ceased operations and withdrew its FINRA membership. As a result, VII Peaks Capital was left without a managing broker-dealer through which to sell the Co-Optivist Funds.

In October 2013, Chandhoke and Shea, through VII Peaks Capital, created VII Peaks BDC Investors, LLC (VII Peaks BDC Investors). VII Peaks BDC Investors was an offering meant to provide an opportunity for the prior investors in the Co-Optivist Funds to continue to participate in the investments but also to raise funds to offset start-up costs associated with a new managing broker-dealer for the Co-Optivist Funds. The VII Peaks BDC Investors offering consisted of Class A and Class B investment tranches.

Between March and May 2014, while associated with Gordian, Chandhoke and Shea participated in 10 private securities transactions involving Class B shares of VII Peaks BDC Investors totaling \$445,000, as follows:

- a. On or about March 31, 2014, Chandhoke and Shea participated in a transaction in which Chandhoke invested \$10,000;
- b. On or about March 31, 2014, Chandhoke and Shea participated in a transaction in which VII Peaks Capital invested \$87,500;
- c. On or about April 2, 2014, Chandhoke and Shea participated in a transaction in which Investor A invested \$25,000;
- d. On or about April 22, 2014, Chandhoke and Shea participated in a transaction in which Investor B invested \$25,000;
- e. On or about April 23, 2014, Chandhoke and Shea participated in a transaction in which Investor C invested \$125,000;
- f. On or about April 24, 2014, Chandhoke and Shea participated in a transaction in which entity Investor D invested \$25,000;
- g. On or about May 6, 2014, Chandhoke and Shea participated in a transaction in which Investors F and G jointly invested \$75,000;

- h. On or about May 14, 2014, Chandhoke and Shea participated in a transaction in which Investor H invested \$37,500;
- i. On or about May 19, 2014, Chandhoke and Shea participated in a transaction in which Investor I invested \$10,000; and
- j. On or about May 22, 2014, Chandhoke and Shea participated in a transaction in which Investor J invested \$25,000.

Chandhoke participated in the VII Peaks BDC Investors transactions by, among other things, co-creating, managing, and marketing the offering, as well as signing subscription agreements.

Shea participated in the VII Peaks BDC Investors transactions by, among other things, co-creating, managing, and marketing the offering, as well as introducing investors to the offering.

Chandhoke and Shea failed to provide written notice to Gordian of the VII Peaks Investors BDC transactions prior to participating in them.

By reason of the foregoing conduct, Chandhoke and Shea violated NASD Rule 3040 and FINRA Rule 2010.

The AlesiaTec Series Seed PSTs

Between July and September 2014, while registered with Gordian, Chandhoke and Shea took steps to raise capital for AlesiaTec. As part of that process, Chandhoke and Shea participated in the sale of Series Seed interests of AlesiaTec to four investors, totaling \$459,925, as follows:

- a. On or about August 29, 2014, Chandhoke and Shea participated in a transaction in which Investor L invested \$200,000;

- b. On or about September 3, 2014, Chandhoke and Shea participated in a transaction in which Investor M invested \$9,975;
- c. On or about September 9, 2014, Chandhoke and Shea participated in a transaction in which Investor N invested \$100,000; and
- d. On or about September 29, 2014, Chandhoke and Shea participated in a transaction in which Investor O invested \$149,950.

Chandhoke and Shea failed to provide written notice to Gordian of the AlesiaTec Series Seed transactions in 2014 prior to participating in them.

On or about June 10, 2016, while registered with Arete, Chandhoke and Shea participated in the sale of an additional AlesiaTec Series Seed interest in which Investor N invested an additional \$100,000.

Chandhoke and Shea failed to provide written notice to Arete of the AlesiaTec Series Seed transaction in 2016 prior to participating in it.

Chandhoke participated in the AlesiaTec Series Seed transactions by, among other things, distributing marketing materials, soliciting investors, and signing subscription agreements.

Shea participated in the AlesiaTec Series Seed transactions by, among other things, distributing marketing materials and soliciting investors.

By reason of the foregoing conduct, Chandhoke and Shea violated NASD Rule 3040 (for conduct prior to September 21, 2015) and FINRA Rules 3280 (for conduct on or after September 21, 2015) and 2010.

The AlesiaTec Series A PSTs

In March 2017, while registered with Arete, Chandhoke and Shea participated in the sale of two Series A interests in AlesiaTec for a total of \$35,000, as follows:

- a. On or about March 7, 2017, Chandhoke and Shea participated in a transaction in which Investors P and Q jointly invested \$10,000; and
- b. On or about March 9, 2017, Chandhoke and Shea participated in a transaction in which Investor N invested \$25,000.

Chandhoke participated in these two AlesiaTec Series A transactions by, among other things, signing the subscription agreements.

Shea participated in these two AlesiaTec Series A transactions by, among other things, introducing the investors to the investment.

Chandhoke and Shea failed to provide written notice to Arete of these transactions prior to participating in them.

By reason of the foregoing conduct, Chandhoke and Shea violated FINRA Rules 3280 and 2010.

FOURTH CAUSE OF ACTION

STRUCTURING CASH DEPOSITS

Violation of FINRA Rule 2010 by Chandhoke

31 C.F.R. § 1010.100(xx) defines “structuring” as acting alone or in conjunction with, or on behalf of, other persons to conduct or attempt to conduct one or more transactions in currency, in any amount, at one or more financial institutions, on one or more days, in any manner, for the purpose of evading reporting requirements of Title 31. The phrase “in any manner” includes the acts of breaking down a single sum of currency exceeding \$10,000 into smaller sums at or below \$10,000 as well as conducting a series of currency transactions at or below \$10,000.

31 C.F.R. § 1010.311 requires financial institutions—including banks—to file CTRs for currency transactions in excess of \$10,000.

31 C.F.R. § 1010.314 provides that no person shall, for the purpose of evading the reporting requirements under the regulations, (1) cause or attempt to cause a domestic financial institution to fail to file a report required by the regulations, (2) cause or attempt to cause a domestic financial institution to fail to file a report required by the regulations containing a material omission or misstatement of fact, or (3) structure, assist in structuring, or attempt to structure or assist in structuring any transaction with one or more domestic financial institutions.

Similarly, 31 U.S.C. § 5324(a) provides that no person shall, for the purpose of evading federal reporting requirements, (1) cause or attempt to cause a domestic financial institution to fail to file a required transaction report, (2) cause or attempt to cause a domestic financial institution to file a required transaction report containing a material omission or misstatement of fact, or (3) structure or assist in structuring, any transaction with one or more domestic financial institutions, or attempt to do so.

Between September 2012 and September 2014, while Chandhoke was associated with Gordian, Gordian’s WSPs addressed the Bank Secrecy Act (BSA) and anti-money laundering (AML), and specifically identified structuring as a means of evading the requirements of the BSA.

In December 2013, while associated with Gordian, Chandhoke participated in a training entitled “Anti-Money Laundering Regulations and Ramifications.” The training included a section discussing structuring and CTRs.

Between January 2015 and March 2016, while Chandhoke was associated with Penserra, Penserra's Anti-Money Laundering Procedures addressed structuring as conduct that might require the filing of a Suspicious Activity Report (SAR) under the BSA.

In December 2015, while associated with Penserra, Chandhoke attended Penserra's Annual Compliance Meeting. The written materials distributed in conjunction with the compliance meeting addressed the topic of AML and included a section identifying and describing structuring as a "red flag" indicator of possible illegal activity.

Between May 2016 and August 2017, while Chandhoke was associated with Arete, Arete's WSPs contained a section on AML that identified and described structuring as a "red flag" indicator of suspicious activity.

As a result of training and guidance provided by the three firms with which Chandhoke was associated between 2014 and 2016, Chandhoke knew that banks are required to report all currency transactions in excess of \$10,000 through the filing of a CTR. He also knew that structuring is a violation of federal law and in contravention of applicable securities rules and regulations.

Between June and September 2016, Chandhoke deposited \$72,950 in cash into four separate bank accounts under his control in increments of less than \$3,100. Chandhoke made 37 deposits via ATMs in the Los Angeles and San Francisco Bay areas, with the deposits most often totaling under \$10,000 per day.

On June 13, 2016, Chandhoke deposited a total of \$4,200 in cash by depositing:

- i. \$1,600 into savings account ending 6720 ("savings account 6720");
- ii. \$1,900 into checking account ending 8351 ("checking account 8351"); and

- iii. \$700 into savings account ending 3676 (“savings account 3676”).

On June 14, 2016, Chandhoke deposited a total of \$9,000 in cash by depositing:

- i. \$2,200 into savings account 6720;
- ii. \$2,300 into checking account 8351;
- iii. \$2,400 into savings account 3676; and
- iv. \$2,100 into checking account ending 6183 (“checking account 6183”).

On June 15, 2016, Chandhoke deposited a total of \$10,000 in cash by depositing:

- i. \$2,400 into savings account 6720;
- ii. \$2,600 into checking account 8351;
- iii. \$2,500 into savings account 3676; and
- iv. \$2,500 into checking account 6183.

On June 16, 2016, Chandhoke deposited a total of \$12,000 in cash by depositing:

- i. \$2,900 into savings account 6720;
- ii. \$3,000 into checking account 8351;
- iii. \$3,100 into savings account 3676; and
- iv. \$3,000 into checking account 6183.

On June 19, 2016, Chandhoke deposited a total of \$4,080 in cash by depositing:

- i. \$1,080 into savings account 6720;
- ii. \$1,000 into checking account 8351;
- iii. \$1,000 into savings account 3676; and
- iv. \$1,000 into checking account 6183.

On July 25, 2016, Chandhoke deposited a total of \$7,250 in cash by depositing:

- i. \$2,150 into savings account 6720;

- ii. \$1,500 into checking account 8351;
- iii. \$1,650 into savings account 3676; and
- iv. \$1,950 into checking account 6183.

On July 26, 2016, Chandhoke deposited a total of \$1,820 in cash by depositing:

- i. \$880 into savings account 6720; and
- ii. \$940 into checking account 8351.

On September 18, 2016, Chandhoke deposited a total of \$8,500 in cash by depositing:

- i. \$2,100 into savings account 6720;
- ii. \$1,900 into checking account 8351;
- iii. \$2,200 into savings account 3676; and
- iv. \$2,300 into checking account 6183.

On September 20, 2016, Chandhoke deposited a total of \$7,600 in cash by depositing:

- i. \$1,300 into savings account 6720;
- ii. \$1,800 into checking account 8351;
- iii. \$2,300 into savings account 3676; and
- iv. \$2,200 into checking account 6183.

On September 21, 2016, Chandhoke deposited a total of \$8,500 in cash by depositing:

- i. \$1,900 into savings account 6720;
- ii. \$2,100 into checking account 8351;
- iii. \$2,200 into savings account 3676; and
- iv. \$2,300 into checking account 6183.

Chandhoke intentionally structured the 37 cash deposits described above in an attempt to evade the reporting requirements of 31 U.S.C. § 5324(a) and 31 C.F.R § 1010 in that he acted

with the purpose of preventing the bank from filing, and intended to cause the bank to fail to file, a CTR reporting a receipt of currency in excess of \$10,000.

By reason of the foregoing conduct, Chandhoke violated FINRA Rule 2010.

FIFTH CAUSE OF ACTION

FALSE STATEMENTS

Violation of FINRA Rule 2010 by Chandhoke

On or about May 25, 2016, Chandhoke signed new account forms with Firm A for three accounts in the name of Chandhoke Holdings. One of the three accounts that Chandhoke opened was a priority credit line (PCL) in the name of Chandhoke Holdings, with account number ending 9483 (the Chandhoke Holdings PCL).

The terms and conditions for the Chandhoke Holdings PCL stated, in part:

[y]ou agree not (i) to use any portion of a Priority Credit Line Advance to purchase, carry or trade in securities, or to reduce or retire other debts you incur for the purpose of purchasing, carrying or trading in securities; (ii) to make any Priority Credit Line Access Check payable to us or another brokerage firm; or (iii) to make funds available to a third party for any purpose described in clauses (i) or (ii). You shall be deemed to repeat such agreements each time you obtain a Priority Credit Line Advance hereunder. You also acknowledge that willful non-compliance with these restrictions may constitute a violation by you of Regulation X of the Federal Reserve Board.

On or about May 25, 2016, Chandhoke completed and signed Federal Reserve Form FR T-4 (Form FR T-4), including attachments, for the Chandhoke Holdings PCL account. By signing the Form FR T-4, Chandhoke attested that no part of the Chandhoke Holdings PCL would be “used to purchase, carry or trade in securities.” This attestation was false as his subsequent actions beginning immediately thereafter make clear.

Chandhoke also selected the box “Finance business operations or assets: General working capital” for the designation of the purpose of the Chandhoke Holdings PCL account. This statement was also false as his subsequent actions beginning immediately thereafter make clear.

Once the Chandhoke Holdings PCL was opened, on or about June 1, 2016, Chandhoke caused \$150,000 to be wired from the Chandhoke Holdings PCL account to checking account 8351, an account in the name of Chandhoke Holdings and controlled by Chandhoke. At the time Chandhoke caused the funds to be wired, checking account 8351 had a balance of only \$2,500.

On or about June 1, 2016, almost immediately following the receipt of \$150,000 into checking account 8351, Chandhoke caused \$150,000 to be transferred from that account into two other bank accounts in his name in three separate transactions as follows:

- a. \$2,000 to checking account 6183;
- b. \$95,000 to checking account 6183; and
- c. \$53,000 to savings account 3676.

On or about June 2, 2016, Chandhoke caused \$85,000 to be transferred from checking account 6183 to a collateral account in the name of Gurpreet S. Chandhoke ending 0046 (collateral account 0046) held at Firm A.

On or about June 21, 2016, Chandhoke caused \$57,000 to be transferred from savings account 3676 to checking account 6183.

On or about June 21, 2016, Chandhoke then caused \$50,000 to be transferred from checking account 6183 to collateral account 0046 held at Firm A.

On or about July 15, 2016, Chandhoke purchased treasury securities valued at approximately \$139,000 in collateral account 0046 held at Firm A.

This purchase of \$139,000 by Chandhoke was in direct contravention of his attestation on Form FR T-4 that no part of the credit extended by Firm A for the Chandhoke Holdings PCL would be “used to purchase, carry or trade in securities.”

This purchase of \$139,000 by Chandhoke was also in direct contravention of his statement on Form FR T-4 that the purpose of his PCL account was to “[f]inance business operations or assets.”

Based on the above-described conduct, Chandhoke made false statements on Form FR T-4 and an attachment thereto.

By making false statements, Chandhoke violated FINRA Rule 2010 by failing to observe high standards of commercial honor and just and equitable principles of trade.

Based on the foregoing, Respondents violated: FINRA Rule 3270; NASD Rule 3050(c); NASD Rule 3040 (for conduct occurring prior to September 21, 2015) and FINRA Rule 3280 (for conduct occurring on or after September 21, 2015); and FINRA Rule 2010. Additionally, based on the foregoing, Respondent Chandhoke separately violated FINRA Rule 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 Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondents be sanctioned as follows:

For Respondent Chandhoke:

- A two-year suspension from association with any FINRA member in any capacity; and

- A fine of \$50,000.

For Respondent Shea:

- A two-year suspension from association with any FINRA member in any capacity; and
- A fine of \$50,000.

For each Respondent, the fine shall be due and payable either immediately upon re-association with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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



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