

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052480101**

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

RE: Aeon Capital Inc., Respondent
Member Firm
CRD No. 164004

Vincent Michael Bruno, Respondent
General Securities Representative, General Securities Principal, Operations Professional,
Compliance Officer, Investment Banking Representative, Investment Banking Principal,
Municipal Securities Representative, and Municipal Securities Principal
CRD No. 1845833

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Aeon Capital Inc., and Vincent Michael Bruno submit 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Aeon Capital Inc. ("Aeon" or the "Firm") has been a FINRA member since 2013. The Firm, which is based in Middletown, New Jersey, conducts a general securities business with approximately 21 registered representatives and four branch offices.

Vincent Michael Bruno ("Bruno") first became registered with FINRA in 1990. In April 2018, Bruno became registered through Aeon, and is currently registered as a General Securities Representative, General Securities Principal, Operations Professional, Compliance Officer, Investment Banking Representative, Investment Banking Principal, Municipal Securities Representative, and Municipal Securities Principal. Bruno is Aeon's Chief Compliance Officer ("CCO").

Since 2015, Bruno has also been registered through his association with another FINRA member firm. Bruno is the CCO of that other firm, as well.

RELEVANT DISCIPLINARY HISTORY

Aeon does not have any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

Bruno has been the subject of the following three prior FINRA formal disciplinary actions:

- In 2012, Bruno submitted an Offer of Settlement (No. 2009016230601), through which he consented to the entry of findings that, as CCO and AML Compliance Officer of Garden State Securities, Inc. (CRD No. 10083) (“Garden State”), he failed to develop and implement a reasonably designed AML program; failed to implement the firm’s Customer Identification Program; and failed to establish and maintain a supervisory system reasonably designed to achieve compliance with rules and laws regarding customer complaint reporting and private securities transactions, among other violations. The Order Accepting the Offer of Settlement imposed a three-month suspension in any and all capacities, a \$50,000 fine, a requirement that Bruno requalify by examination as a General Securities Principal, and a requirement that Bruno complete 16 hours of AML training.
- In 2011, Bruno entered into an AWC (No. 2009018771701), through which he consented to the entry of findings that, as CCO of Garden State, he failed to establish, maintain, and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to achieve compliance with rules and regulations relating to private offering solicitations. The AWC imposed a one-month, principal-capacity suspension and a \$10,000 fine.
- In 1997, FINRA fined Bruno \$30,000 and imposed an all-capacities suspension of 30 calendar days for excessive markups and related supervisory violations. (No. C10970168)

OVERVIEW

From June 2016 through June 2019 (the “Relevant Period”), Aeon failed to comply with FINRA Rule 3170 (the “Taping Rule” or “Rule”), which required the Firm to establish, maintain, and enforce special written procedures to record “all telephone conversations between [its] registered persons and both existing and potential customers and [to review] the tape recordings to ensure compliance with applicable securities laws and regulations and applicable FINRA rules.” The Firm’s special written supervisory procedures in effect from June 2016 through May 2018 were not reasonably designed to ensure compliance with the Taping Rule and, in any event, the Firm failed to tape all conversations as required under the Rule. Aeon revised its Taping Rule written supervisory procedures in May 2018 and Bruno became the designated principal responsible for implementing the revised procedures at that time. However, Aeon and Bruno failed to enforce the Firm’s revised Taping Rule written supervisory procedures

from May 2018 through June 2019. As a result, the Firm failed to record all telephone conversations between the Firm's registered persons and its existing and potential customers. By virtue of the foregoing, Aeon and Bruno violated FINRA Rules 3170 and 2010.

FACTS AND VIOLATIVE CONDUCT

The Taping Rule is "designed to ensure that members with a significant number of registered persons that previously were employed by firms that have been expelled from membership or have had their registrations revoked for sales practice violations (Disciplined Firms) have proper supervisory procedures in place relating to telemarketing activities to prevent fraudulent and improper sales practices or other customer harm."¹ Once a firm triggers the Rule by hiring a certain number of registered representatives from Disciplined Firms, FINRA Rule 3170(b)(3) requires the firm to establish, maintain, and enforce, for a period of three years, special written procedures to record "all telephone conversations between [the firm's] registered persons and both existing and potential customers and [to review] the tape recordings to ensure compliance with applicable securities laws and regulations and applicable FINRA rules." FINRA Rule 3170(b)(3) requires that the firm's Taping Rule procedures "be appropriate for the . . . firm's business, size, structure, and customers"

By letter dated April 22, 2016, FINRA notified Aeon that it had triggered the Taping Rule, and that the Firm therefore was required to "establish, maintain, and enforce special written procedures for supervising the telemarketing activities of its registered persons within 60 days after [Aeon's] receipt of this letter." FINRA further advised the Firm that, under the Taping Rule, it must "record all conversations between all of [its] registered persons and both existing and potential customers," and that Aeon's Taping Rule procedures must "remain in effect for at least three years."

Aeon certified to FINRA that effective June 1, 2016, it had "implemented the required [Taping Rule] procedures, including the installation of a taping system," and that the taping system "record[s] all means of telecommunications at the firm." FINRA staff investigated Aeon's compliance with the Taping Rule in connection with 2017, 2018, and 2019 examinations of the Firm. Those examinations determined that, notwithstanding its certifications to FINRA, Aeon did not comply with the Taping Rule throughout the Relevant Period, and Bruno failed to enforce the Firm's Taping Rule procedures from when he became registered through the Firm in May 2018 through June 2019.

A. Aeon's Taping Rules Procedures Were Not Reasonably Designed From June 2016 To May 2018 and, in Any Event, the Firm Did Not Enforce Those Procedures

Aeon's Taping Rule procedures in effect from June 2016 to May 2018 were not, as required under FINRA Rule 3170(b)(3), "appropriate for the . . . firm's business, size,

¹ NASD Notice to Members 05-46 at 1 (July 2005).

structure, and customers.” The Firm’s Taping Rule procedures provided that “[a]ll forms of telephone communications between the Registered Associate and both clients and potential customers will be recorded,” and they prohibited representatives from using cell phones to conduct Firm business. However, because the Firm was aware that its registered representatives used cell phones almost exclusively to communicate with customers and prospective customers, the Firm’s special written procedures were not “appropriate for the [Firm’s] business,” as required by the Rule.

In addition, the Firm failed to reasonably enforce its Taping Rule procedures during this period. As stated, the Firm was aware that its registered representatives were communicating with customers and prospective customers via cell phones, in contravention of the Firm’s Taping Rule procedures. Yet Aeon did not take reasonable action to ensure that representatives refrained from their continued use of cell phones, nor did the Firm take reasonable steps to enforce its special written procedures or achieve compliance with the Rule. As a result, the Firm failed to record most—if not all—telephone conversations between its registered representatives and its existing and prospective customers from June 2016 to May 2018.

B. Aeon and Bruno Did Not Enforce the Firm’s Taping Rule Procedures From May 2018 Through June 2019

Acting through Bruno, who became registered through the Firm in April 2018, Aeon revised its written Taping Rule procedures in May 2018. The revised special written procedures prohibited representatives from using personal cell phones “unless captured by the Firm’s tape recording mechanism” and required that Bruno review a monthly exception report from the Firm’s taping vendor to identify registered representatives who, due to low call volume, might be speaking with customers and prospective customers on unrecorded phone lines. The revised special written procedures also specified that Bruno was responsible for ensuring that Aeon implemented and complied with its Taping Rule procedures. Nonetheless, as set forth below, Aeon and Bruno failed to reasonably enforce the revised procedures, and the Firm therefore failed to record all telephone conversations between its registered representatives and its existing and potential customers from May 2018 through June 2019.

First, Aeon did not record all of the Firm’s landline phones in its branch offices from May 2018 through June 2019. Moreover, Aeon permitted registered representatives to advertise unrecorded landline and cell phone numbers on their Aeon business cards and business email signature blocks during this time period. Accordingly, Aeon and Bruno knew or should have known that registered representatives of the Firm were having telephone conversations with customers and prospective customers on unrecorded lines, yet they failed to take reasonable steps to ensure that those lines were taped consistent with the Firm’s revised special written procedures.

Second, the Firm advised at least some of its representatives to install an application on their cell phones that would record their conversations with customers and prospective customers. But most representatives simply chose not to use that application or to

otherwise record their conversations with customers and prospective customers; in some instances, representatives attempted to use the application, but it failed to work properly.

Third, notwithstanding the requirement that Bruno review a monthly exception report to monitor for representatives who may have been using unrecorded phone lines, Bruno reviewed only recorded calls on a monthly basis from May 2018 to March 2019; it was not until April 2019—after FINRA contacted him—that Bruno attempted to identify whether representatives were using unrecorded lines.

A sampling of the activities of four of the Firm's registered representatives revealed that, during the ten-week period from July 23, 2018 to September 28, 2018 alone, they made or received 173 unrecorded customer calls from their personal cell phones, and 23 unrecorded customer calls from Aeon's landline office phones. During that time period, those customers invested over \$130,000 in private placements through the Firm, resulting in more than \$10,000 in commissions to the Firm.

By virtue of the foregoing, Aeon and Bruno violated FINRA Rules 3170 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

1. Aeon Capital Inc.

- a. A censure;
- b. A \$45,000 fine, of which \$10,000 is joint and several with Bruno;
- c. Aeon has undertaken to do the following:
 - (i) Retain at its own expense one or more qualified independent consultants not unacceptable to FINRA, within 60 days of the date of the Notice of Acceptance of this AWC, to conduct a comprehensive review of the adequacy of Aeon's compliance with the Taping Rule, including but not limited to:
 - (1) Aeon's written supervisory procedures, policies, training, and controls related to: (a) the tape recording of all telephone conversations between Aeon's registered persons and both existing and potential customers, including those via cell phone; and (b) Aeon's review of the tape recordings to ensure compliance with applicable securities laws and regulations and applicable FINRA rules.
 - (2) The adequacy of the controls embedded in Aeon's systems and applications related to: (a) the tape recording of all telephone conversations between Aeon's registered persons and both existing and potential customers, including those via cell phone; and (b) Aeon's review of the tape recordings to ensure compliance with applicable securities

laws and regulations and applicable FINRA rules.

- (ii) The Independent Consultant, any Firm with which the Independent Consultant is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties, shall not have provided consulting, legal, auditing or other professional services to, or had any affiliation with, Aeon during the two years prior to the date of the Notice of Acceptance of this AWC.
- (iii) Cooperate with the Independent Consultant in all respects, including providing the Independent Consultant with access to Aeon's files, books, records, and personnel, as reasonably requested for the above-mentioned reviews. Aeon shall require the Independent Consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the Independent Consultant's communications with FINRA. Further, Aeon upon request, shall make available to FINRA any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with this review.
- (iv) Once retained, Aeon shall not terminate the relationship with the Independent Consultant without FINRA's written approval; Aeon shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;
- (v) At the conclusion of the Independent Consultant's review, which shall be no more than 120 days after the date of the Notice of Acceptance of this AWC, Aeon shall require the Independent Consultant to submit a written report ("the Initial Report") to it and FINRA. The Initial Report shall, at a minimum: (1) evaluate and address the adequacy of Aeon's compliance with the Taping Rule, including but not limited to, Aeon's written supervisory procedures, policies, training, controls, systems, and applications related to: (a) the tape recording of all telephone conversations between Aeon's registered persons and both existing and potential customers, including those via cell phone; and (b) Aeon's review of the tape recordings to ensure compliance with applicable securities laws and regulations and applicable FINRA rules; (2) provide a description of the review performed and the conclusions reached; and (3) as may be needed, make recommendations regarding how Aeon should modify or supplement its processes, controls, policies, systems, procedures and training to manage its

regulatory and other risks in relation to its compliance with the Taping Rule; and

- (1) Within 45 days after delivery of the Initial Report, Aeon shall adopt and implement the recommendations of the Independent Consultant or, if it considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. Aeon shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA ("Firm's Proposed Alternative Procedures").
- (2) Within 30 days of receipt of any the Firm's Proposed Alternative Procedures, Aeon shall require the Independent Consultant to: (i) reasonably evaluate the alternative procedure(s) and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm and FINRA with a written decision reflecting its determination ("Written Report Regarding Alternative Procedures"). In the event the Independent Consultant and Aeon are unable to agree, the Firm must abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
- (3) Within 30 days after the issuance of the later of the Independent Consultant's Initial Written Report or Written Report Regarding Alternative Procedures (if any), Aeon shall provide the Independent Consultant and FINRA staff with a written Implementation Report, certified by Aeon's Chief Executive Officer and indirect owner, Demetrios Mallios (CRD No. 3169758), attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations. The date on which Aeon provides the Independent Consultant and FINRA staff with the written Implementation Report shall be referred to as the "Implementation Date." The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Aeon agrees to provide such evidence.

- (vi) Require the Independent Consultant to enter into a written agreement that provides that for the duration of this engagement and for a period of two years from the completion of this engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with Aeon, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any Firm with which the Independent Consultant is affiliated or of which it is a member, and any person engaged to assist the Independent Consultant in the performance of its duties pursuant to this AWC, shall not, without prior written consent of FINRA, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Aeon or any of Aeon's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
 - (vii) Aeon shall further retain the Independent Consultant to conduct a follow up review and submit a written Final Report to the Firm and to FINRA no later than six months from the Implementation Date. In the Final Report, the Independent Consultant shall address the Firm's implementation of the systems, policies, procedures, and training and make any further recommendation it deems necessary. Within 30 days of receipt of the Independent Consultant's Final Report, Aeon shall adopt and implement recommendations contained in the Final Report, and inform FINRA in writing that it has done so.²
- d. Aeon has also undertaken to voluntarily comply with the Taping Rule for an additional 18 months, which obligation will commence on the Implementation Date, as defined in paragraph I.B.1.c.(v)(3). Furthermore, during this 18-month period, Aeon's Chief Executive Officer and indirect owner, Demetrios Mallios (CRD No. 3169758), will sign and attest to the quarterly reports to be submitted pursuant to FINRA Rule 3170(b)(5).

2. Vincent Bruno

- a. A suspension from association with any FINRA member firm in any principal capacity for 30 business days; and
- b. A \$10,000 fine, all of which is joint and several with Aeon.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been

² Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above in paragraphs (c)(i)–(vi).

accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent Bruno understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent Bruno may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent Bruno is subject to a statutory disqualification during the suspension, if he remains associated with a Member Firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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 acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 - 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 the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondents 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. Respondents 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 Respondents': (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 or its staff.

The undersigned, on behalf of Respondent Aeon Capital Inc., certifies that a person duly authorized to act on its 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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce it to submit it.

Respondent Vincent Michael Bruno certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent Bruno has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit this AWC.

11/4/19
Date

Aeon Capital Inc.
Respondent

By: _____

Print Name: Demetrios Mollis

Title: CEO

11/4/19
Date

V. Bruno
Vincent Michael Bruno
Respondent

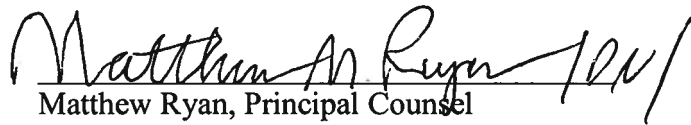
Reviewed by:

Marc S. Gottlieb
Marc S. Gottlieb
Counsel for Respondents
Ortoli Rosenstadt LLP
366 Madison Avenue, 3d Floor
New York, NY 10017

Accepted by FINRA:

December 10, 2019
Date

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

A handwritten signature in black ink, appearing to read "Matthew Ryan", is written over a horizontal line.

Matthew Ryan, Principal Counsel
FINRA

Department of Enforcement
1601 Market Street, Suite 2700
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Pearline M. Hong, Counsel
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