

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017055209801**

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

RE: BHA Select Network, LLC, Respondent
Member Firm
CRD No. 168883

Daniel Conor McDermott, Respondent
General Securities Representative, General Securities Principal,
Operations Professional, and Compliance Officer
CRD No. 4521850

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents BHA Select Network, LLC ("BHA" or the "Firm") and Daniel Conor McDermott 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

McDermott is the indirect owner of BHA, which he founded in 2013. BHA has been a FINRA member since March 2014. It is headquartered in Boston, Massachusetts, and serves as placement agent for private investment funds. As of August 2017, the Firm had approximately seven registered representatives.

McDermott first became registered with FINRA in 2002. He became registered through BHA as a General Securities Representative and a General Securities Principal in March 2014, and he subsequently became registered through BHA as an Operations Professional in October 2014 and as a Compliance Officer in October 2018. McDermott remains registered in those capacities through BHA. During the time period described below, McDermott was the Chief Executive Officer and Chief Compliance Officer of BHA.

RELEVANT DISCIPLINARY HISTORY

Neither BHA nor McDermott has any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

From at least June 2017 until August 2017, McDermott permitted BHA to conduct a securities business while below its minimum net capital requirement. As a result, McDermott violated FINRA Rules 4110(b) and 2010, and BHA violated Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rule 15c3-1 promulgated thereunder, and FINRA Rules 4110(b) and 2010.

In addition, from at least June 2017 until August 2017, McDermott and BHA failed to maintain books and records reflecting an accurate computation of BHA's net capital and filed inaccurate Financial and Operational Combined Uniform Single ("FOCUS") reports. As a result, McDermott violated FINRA Rules 4511 and 2010, and BHA violated Section 17(a) of the Exchange Act, Exchange Act Rules 17a-3 and 17a-5 promulgated thereunder, and FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

Books and Records and Reporting Violations

Section 17(a) of the Exchange Act, Exchange Act Rule 17a-3, and FINRA Rule 4511 require FINRA member firms to make and keep accurate books and records, including general ledgers, and to make and keep accurate net capital calculations.

Section 17(a) of the Exchange Act, Exchange Act Rule 17a-5, and FINRA Rule 4511 require FINRA member firms to timely file accurate FOCUS reports.

A violation of Section 17(a) of the Exchange Act, Exchange Act Rules 17a-3 and 17a-5 thereunder, and FINRA Rule 4511 is also a violation of FINRA Rule 2010. An individual violates FINRA Rules 4511 and 2010 when he or she causes a firm to make and keep inaccurate books and records, such as a general ledgers and net capital calculations, and causes a firm to file inaccurate FOCUS reports.

On June 7, 2017, BHA received two invoices reflecting that it owed \$19,569 to the company that conducted the Firm's 2016 audit. McDermott failed to direct the Firm's bookkeeper to book the invoices until August 8, 2017, when the Firm received additional capital. Booking the invoices in June 2017 would have caused BHA's books and records to show that the Firm had fallen below its required minimum net capital amount, which was \$5,000.

As a result, McDermott and BHA failed to maintain accurate books and records, including general ledgers and net capital computations, until McDermott directed the Firm's bookkeeper to record the invoices on August 8, 2017. In addition, the Firm filed

inaccurate FOCUS reports for the second quarter of 2017.

By virtue of the foregoing, BHA violated Section 17(a) of the Exchange Act, Exchange Act Rules 17a-3 and 17a-5, and FINRA Rules 4511 and 2010. By causing BHA to do so, McDermott violated FINRA Rules 4511 and 2010.

Net Capital Violations

Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1 require broker-dealers to have and maintain a minimum amount of net capital. A violation of Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1 thereunder is also a violation of FINRA Rule 2010.

FINRA Rule 4110(b) requires a member firm to suspend all business operations during any period in which it is not in compliance with applicable net capital requirements. A violation of FINRA Rule 4110(b) is also a violation of FINRA Rule 2010. An individual violates FINRA Rules 4110(b) and 2010 when he or she permits a FINRA member firm to conduct a securities business at a time when the firm is failing to maintain its required minimum net capital.

As described above, BHA received two invoices in June 2017 that reflected that the Firm incurred \$19,569 in expenses in connection with its 2016 audit. McDermott directed the Firm's bookkeeper not to book those expenses at that time, and the Firm's Financial and Operations Professional ("FINOP") was unaware of the expenses until the Firm booked them in August 2017. The FINOP then determined that BHA had fallen below its minimum net capital requirement and filed a notice under Exchange Act Rule 17a-11 to notify FINRA that the Firm had engaged in a securities business while below its required minimum net capital.

By conducting a securities business while net capital deficient, BHA violated Section 15(c) of the Exchange Act, Exchange Act Rule 15c3-1, and FINRA Rules 4110(b) and 2010. By permitting BHA to do so, McDermott violated FINRA Rules 4110(b) and 2010.

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

For BHA:

- a censure; and
- a \$10,000 fine.

For McDermott:

- a suspension of 10 business days in all principal capacities; and
- a \$5,000 fine.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines 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.

McDermott 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, McDermott 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 McDermott 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 signatory on behalf of BHA 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 BHA 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 this AWC.

On his own account, McDermott 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; McDermott 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.

BHA Select Network, LLC
Respondent

5/6/20
Date

By: 

Print Name: Daniel McDermott

Title: CEO

5/6/20
Date


Daniel Conor McDermott
Respondent

Reviewed by:

Breton Leone-Quick
Counsel for Respondents
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111

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On his own account, McDermott 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; McDermott 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.

BHA Select Network, LLC
Respondent

Date

By: _____

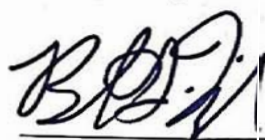
Print Name: _____

Title: _____

Date

Daniel Conor McDermott
Respondent

Reviewed by:

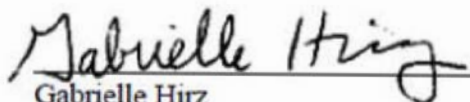


Breton Leone-Quick
Counsel for Respondents
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111

Accepted by FINRA:

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

5/13/2020
Date

A handwritten signature in black ink, appearing to read "Gabrielle Hirz", written over a horizontal line.

Gabrielle Hirz

Principal Counsel

FINRA

Department of Enforcement

99 High St., Suite 900

Boston, MA 02110