

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

Department of Enforcement,

Complainant,

v.

Integrity Brokerage Services, Inc. (CRD No. 117589),
Joshua Helmle (CRD No. 2195760),
Marc N. Jaffe (CRD No. 2187547), and
Andrea Wood (CRD No. 2000589),

Respondents.

Disciplinary Proceeding
No. 2018056436001

Hearing Officer—LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 4, 2020

INTRODUCTION

Disciplinary Proceeding No. 2018056436001 was filed on April 22, 2020, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondent Marc N. Jaffe submitted an Offer of Settlement (Offer) to Complainant dated October 29, 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, Respondent Jaffe has 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 Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Integrity Brokerage Services, Inc. (n/k/a Integrity Brokerage, LLC) ("IBS") has been a FINRA-regulated firm since February 19, 2002. It has two registered branches and approximately twelve registered individuals. Its main office is located in Monterey Park, California. IBS also maintains a branch office in Indianapolis, Indiana.

Joshua Helmle is currently the Chief Compliance Officer and Chief Financial Officer of IBS. When the Complaint was filed, Helmle had been the owner and President or Chief Executive Officer of IBS since its creation in November 2001, its Chief Financial Officer since January 2002, and its Chief Compliance Officer since August 2006, in each case with a brief interruption in 2018 resulting from his sale and repurchase of IBS in January 2018 and May 2018, respectively. Helmle entered the securities industry in 1991 and has been registered with FINRA through six other FINRA-regulated firms prior to IBS. He is currently registered with FINRA as a General Securities Principal; a General Securities Representative; a Compliance Officer; an Introducing Broker-Dealer Financial and Operations Principal; a Municipal Securities Principal; a Registered Options Principal; an Operations Professional; a Securities Trader; and a Proprietary Trader Principal.

Jaffe entered the securities industry in 1991 and subsequently has been associated with five FINRA-regulated firms. He was previously registered with FINRA as a General Securities Representative at those firms.

Jaffe is not currently registered with any FINRA-regulated firm. FINRA has jurisdiction over Jaffe because he currently is associated with IBS and this Complaint charges him with

misconduct during his association with IBS.

Andrea Wood is an IBS registered representative in the Indianapolis branch office of IBS. Wood entered the securities industry in March 2001. She was registered with three FINRA-regulated firms before becoming registered with IBS as a General Securities Representative in December 2015. Wood also is registered as an Investment Advisor Representative of Integrity Capital Management, LLC, a state-registered investment advisor affiliate of IBS.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

From February 2016 through the present, Marc Jaffe has been associating with Integrity Brokerage Services, Inc. (n/k/a Integrity Brokerage, LLC) (“IBS”) and engaging in its securities business despite being statutorily disqualified. During this time, FINRA’s National Adjudicatory Council (the “NAC”) rejected the firm’s MC-400 application to register Jaffe despite his disqualification, in part because of his improper association with IBS. Undeterred, Jaffe has continued to improperly associate with IBS with the assistance of its owner and Chief Executive Officer (“CEO”), Joshua Helmle, and IBS registered representative Andrea Wood.

In December 2015, Jaffe had just completed a suspension resulting from an earlier FINRA disciplinary action but remained statutorily disqualified. In March 2016, IBS filed an MC-400 application seeking permission for Jaffe to associate with the firm despite his statutory disqualification. On May 16, 2017, the NAC denied the application and found that Marc Jaffe had engaged in “serious misconduct” by associating with IBS while the MC-400 application was

¹ The findings herein are pursuant to Respondent Jaffe’s Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

pending. The NAC rejected the argument that it was permissible for Jaffe to act in the capacity of an “analyst” to another IBS registered representative before obtaining relief from his statutory disqualification. The NAC also found that, in reality, Jaffe was facilitating securities activities in his former customers’ accounts while disqualified.

Helmle has stated that the NAC’s review of the MC-400 application was “the biggest crock of [REDACTED] ever” and that “their decision meant nothing to me.” Accordingly, in clear disregard for his regulatory obligations, Helmle allowed Jaffe’s improper association with IBS to continue without interruption after the NAC’s decision.

Since the NAC’s decision in May 2017, Jaffe has continued to associate with IBS despite being statutorily disqualified. Helmle and Wood have each actively permitted and enabled Jaffe to continue to associate with IBS and to engage in activities at IBS requiring registration. Jaffe’s activities at IBS include communicating with IBS customers regarding their investments and receiving disguised commissions under the guise of the “analyst” agreement considered by the NAC. With Helmle’s blessing, Wood continues to partner with Jaffe to conduct her securities business at IBS. To that end, Wood pays Jaffe a fixed fee representing approximately forty percent of her combined revenue from brokerage commissions and investment advisory fees.

As a result of this conduct, Jaffe violated Article III, Section 3(b) of FINRA’s By-Laws, NASD Rule 1031 (before October 1, 2018), and FINRA Rules 1210 (after September 30, 2018), and 2010; IBS and Helmle each violated Article III, Section 3(b) of FINRA’s By-Laws, NASD Rule 1031 (before October 1, 2018), and FINRA Rules 1210 (after September 30, 2018), 2010, and 8311; and Wood violated FINRA Rule 2010.

FACTS

Jaffe and Wood Join IBS after Jaffe's Statutory Disqualification

Jaffe owns Jaffe Financial Services, Inc. ("JFSI"), a non-broker-dealer entity he formed in 2004 and through which he has conducted his securities business.

Since JFSI's formation, a core group of individuals has worked for Jaffe at JFSI's office in Indianapolis, including Wood and several others. The group has affiliated with several different broker-dealers and has generally moved together from firm to firm.

Wood owns Woodgroup, LLC ("Woodgroup"), a single member LLC she formed in December 2015 as a vehicle for paying the expenses of her securities business. Since Woodgroup's formation, Wood has transferred her IBS brokerage commissions to Woodgroup upon receipt and has had her investment advisory fees paid directly to Woodgroup. Woodgroup has no other revenue or business activities and has never been a registered broker-dealer or investment advisor.

On August 26, 2015, Jaffe became statutorily disqualified under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, due to FINRA's acceptance of a Letter of Acceptance, Waiver and Consent (the "2015 AWC"). The 2015 AWC contained findings that Jaffe willfully failed to disclose material financial information on his Uniform Application for Securities Industry Registration or Transfer ("Form U4").

In the 2015 AWC, FINRA suspended Jaffe for sixty business days and fined him \$15,000. Jaffe's employing firm at the time he entered into the 2015 AWC terminated him and Wood just prior to the beginning of his suspension. Jaffe paid the fine and served his suspension from September 21, 2015 through December 14, 2015.

In December 2015, IBS hired Jaffe and Wood and established an IBS branch in JFSI's office in Indianapolis. On December 9, 2015, Jaffe and IBS initially entered into an Independent Contractor and Registered Representative Agreement.

On December 18, 2015, Jaffe signed and IBS filed with FINRA a Form U4 seeking to register Jaffe as a General Securities Representative.

On December 19, 2015, IBS filed a Form U4 for Wood.

FINRA Directs IBS To Cease Its Association With Jaffe

On December 28, 2015, FINRA informed IBS that "as a disqualified person, Mr. Jaffe must immediately cease all activities related to his association with your firm unless and until approved in an eligibility proceeding."

Despite notice from FINRA that it was impermissible, IBS did not stop Jaffe from associating with IBS or engaging in its securities business. Instead, with Helmle's knowledge and approval, Jaffe continued associating with IBS and Jaffe and Wood took steps to disguise Jaffe's continued association with IBS.

By no later than February 16, 2016, Jaffe had transferred his book of business to Wood, who became the nominal registered representative for the brokerage accounts of Jaffe's former customers at IBS. Previously, Wood had been assisting Jaffe in servicing his accounts. Wood and Jaffe continued to function as a team, and Wood was dependent upon Jaffe to keep servicing his former customers at IBS.

Also as of February 16, 2016, Jaffe and Wood entered into an Independent Contractor Agreement between Jaffe and Woodgroup (the "Analyst Agreement").

Under the Analyst Agreement, Woodgroup retained Jaffe "to render financial analysis, investment analysis and research services" Jaffe was "subject to the appropriate and

professional instructions of Woodgroup” in rendering these services. The Analyst Agreement initially required Woodgroup to pay Jaffe \$15,000 per month.

Also as of February 16, 2016, Jaffe and Wood entered into an Office Sharing Agreement between JFSI and Woodgroup.

Under the Office Sharing Agreement, Woodgroup agreed to share JFSI’s employees. Woodgroup agreed to reimburse JFSI for ninety percent of the costs associated with each employee and ninety percent of the costs of JFSI’s office lease. Jaffe and Woodgroup had “equal and joint authority” for all “office matters.” The Office Sharing Agreement made “personnel matters” the ultimate responsibility of Woodgroup, but prohibited Woodgroup from making major decisions regarding the “hiring, firing, compensation, and management of employees” without first consulting with Jaffe.

The Analyst Agreement and Office Sharing Agreement provided a structure through which Jaffe and Wood continued to partner in conducting securities business at the IBS branch office in Indianapolis, despite Jaffe’s statutory disqualification.

Beginning no later than February 16, 2016, while statutorily disqualified:

- a. Jaffe came into IBS’s Indianapolis branch office daily;
- b. Jaffe regularly met with registered IBS personnel to discuss securities and his recommendations;
- c. Jaffe communicated weekly and met in person monthly with IBS customers (many of whom were Jaffe’s long-time customers and who held their securities accounts at IBS);
- d. Jaffe discussed securities with IBS customers and shared his advice and opinions about securities and the market;

- e. Jaffe was paid through the Analyst Agreement, at least in part, from commissions received by Wood on securities transactions with IBS customers through Woodgroup; and
- f. Jaffe also received indirect payments from Wood in the form of Woodgroup's payment of ninety percent of JFSI's costs and expenses.

IBS Allows Jaffe To Associate With The Firm Before Obtaining Approval

On March 23, 2016, IBS submitted a Membership Continuance Application ("MC-400" or "the Application") for Jaffe to FINRA's Department of Registration and Disclosure.

The Application sought to permit Jaffe to associate with IBS as a general securities representative in its Indianapolis branch office. As part of the Application, IBS proposed a heightened supervisory plan for Jaffe, which involved Jaffe being supervised on-site by an IBS registered principal.

On December 7, 2016, the NAC held an evidentiary hearing to grant or deny the Application (collectively, with the Application, the "MC-400 proceeding").

During the MC-400 proceeding, Jaffe asserted that his activities as an analyst did not constitute improper association with IBS as a statutorily disqualified individual.

On March 17, 2017, while the MC-400 proceeding remained pending, Helmle entered into a letter of intent to sell his ownership in IBS to a potential buyer. The letter of intent provided that the buyer would have the right to conduct due diligence and that the buyer's obligation to purchase would be contingent on the absence of any material adverse change in IBS's business or financial condition prior to closing.

On April 7, 2017, Helmle and IBS filed a Continuing Membership Application with FINRA regarding the proposed sale of the firm.

The NAC Denies IBS's MC-400 Application And Finds That Jaffe Improperly Associated With IBS While The Application Was Pending

On May 16, 2017, the NAC issued a decision denying IBS's MC-400 application (the NAC's "May 2017 Decision").

In the May 2017 Decision, the NAC found that Jaffe engaged in serious misconduct by improperly associating with IBS while the MC-400 Application was pending. Specifically, the NAC found that as an "analyst," Jaffe facilitated securities activities in his former customer's accounts and never fully stopped conducting his securities business while the Application was pending.

The NAC stated in its May 2017 Decision that it was "troubled that [IBS] permitted Jaffe to improperly associate with it while the Application remained pending" and also troubled that Helmle "disavowed any obligation to ensure that Jaffe complied with securities rules and regulations while the Application was pending (other than the obligation to ensure that Jaffe did not engage in any activity that required registration, which ... [he] failed to do)."

IBS, Helmle, Jaffe, Wood, and counsel for IBS and Jaffe each received and reviewed the NAC's May 2017 Decision.

Jaffe Continues To Improperly Associate With IBS After The NAC's May 2017 Decision

Following the NAC's May 2017 Decision, Jaffe continued his association with IBS in its Indianapolis branch office with the knowledge and approval of IBS, Helmle, and Wood.

Helmle believed that the Indianapolis branch of IBS would lose Jaffe's former customer accounts if Jaffe did not remain associated with IBS.

The loss of Jaffe's customer accounts would have been significant to IBS. In 2016, the Indianapolis IBS branch with which Jaffe had associated had accounted for 56 percent of the commissions paid by IBS to all registered representatives.

Helmle permitted Jaffe's relationship with IBS to continue but, after May 2017, exercised more control over Jaffe's activities and Jaffe's access to IBS securities business. For example, Helmle permitted Jaffe to maintain an office at the IBS branch office in Indianapolis. Helmle permitted Jaffe to have contact with IBS customers to facilitate Wood's handling of their accounts if Wood was present, but Helmle directed that Jaffe refrain from explicitly recommending securities. Helmle directed that any email communications between Jaffe and IBS customers be made through Jaffe's private email without copying Wood's firm email. Helmle also required that Wood make all payments to Jaffe through Woodgroup. Helmle supervised Wood to ensure Jaffe complied with these conditions of his continued association with IBS, including by receiving and reviewing Woodgroup bank statements.

From May 16, 2017 to the present, while statutorily disqualified:

- a. Jaffe has maintained an office in the IBS Indianapolis branch. Jaffe is physically present in the IBS Indianapolis branch between three and seven hours a day, approximately four days per week.
- b. Jaffe spends approximately seventy-five percent of his professional time in the Indianapolis branch of IBS, and performs research to generate investment ideas, including buy and sell recommendations for particular securities.
- c. Jaffe updates Wood regarding his investment ideas approximately twice every six weeks.
- d. Jaffe's investment ideas are referred to by Wood as "stock picks" and a record of Jaffe's "stock picks" is maintained by Wood at the Indianapolis office.

- e. Jaffe communicates his “stock picks” to IBS customers through Wood.
Between ninety to one hundred percent of Wood’s recommendations are from Jaffe’s “stock picks.”
- f. Jaffe participates in meetings and calls with IBS customers to discuss their investments. During these meetings, as necessary, Jaffe explains the reasoning behind the “stock picks,” which Wood presents as recommendations.
- g. Jaffe’s contact with customers is generally designed to cause customers to maintain their brokerage accounts with IBS and to cause customers to accept the “stock picks” that Jaffe communicates to them through Wood.
- h. Jaffe is nominally paid for his “financial analysis, investment analysis and research services” under the Analyst Agreement. On September 1, 2017, Jaffe’s compensation under the Analyst Agreement was increased from \$15,000 per month to \$19,600 per month, and on March 21, 2018, Jaffe’s compensation was increased again to \$29,600 per month.
- i. Jaffe is also paid indirectly through the Office Sharing Agreement, pursuant to which Woodgroup pays ninety percent of JFSI’s shared expenses.

Since May 2017, Jaffe has continued to facilitate securities activities in his former customers’ accounts at IBS and has never fully stopped conducting securities business through IBS. Jaffe’s and Wood’s roles at IBS have not fundamentally changed since Jaffe’s statutory disqualification except that Wood has increased her relative share of contact with Jaffe’s former customers.

Since May 2017, despite the NAC’s decision, IBS, Helmle, and Wood have continued to

rely on Jaffe's continued association with IBS to retain Jaffe's former brokerage customers and their resulting commission revenue.

Even as Jaffe has continued associating with IBS, Helmle has continued to disavow any obligation to ensure that Jaffe complies with securities rules and regulations. Helmle has also failed to ensure that Jaffe did not engage in activity requiring registration.

In July 2017, following the NAC's May 2017 Decision, Helmle and Wood decided to eliminate the position of the on-site supervisory principal for the Indianapolis branch. That person was employed by and paid through JFSI. Pursuant to the Office Sharing Agreement, Wood first consulted with Jaffe regarding the decision to eliminate the position.

On July 20, 2017, in connection with elimination of the on-site supervisory principal position for the Indianapolis branch, Helmle filed a Form BR for the Indianapolis branch that designated himself as the supervisory principal "physically located" at the Indianapolis branch. In fact, Helmle was and is physically located in California.

On August 23, 2017, in connection with a Continuing Membership Application and the proposed sale of IBS, Helmle responded to FINRA's request to "provide a detailed description of how the Firm will supervise [the Indianapolis Branch] going forward and any additional procedures the firm has put in place as a result of [the NAC's May 2017 Decision]." Helmle represented to FINRA that:

This is a N/A issue. Mr. Jaffe was never a registered representative of [IBS]. The proposed supervisory program designed for him was never implemented because he was never reinstated. Since he was never registered with [IBS], is not affiliated with [IBS] today and will not be associated in the future, this point is moot.

In fact, as Helmle represented to the potential buyer of IBS on September 29, 2017, Jaffe was and would continue to be associated with IBS by "acting as an independent contractor to

Andrea Wood providing securities analysis.” Helmle’s disclosure to the potential buyer regarding Jaffe’s continued relationship with IBS through Wood provided assurance that IBS’s revenues would continue to include commissions generated from Jaffe’s former customers by Wood and that there would not be any material adverse change in IBS’s business or financial condition prior to closing.

From February 2016 to the present, and continuing, Wood has made direct and indirect payments to Jaffe through the Analyst Agreement and the Office Sharing Agreement. During this period, Jaffe has been paid approximately over \$1,000,000 or forty percent of the revenue of the IBS Indianapolis branch (which includes brokerage commissions and investment advisory fees) by Woodgroup through the Analyst Agreement. During the same period, the IBS Indianapolis branch received approximately forty percent of its revenue from IBS brokerage commissions. JFSI has also received payments for shared office expenses under the Office Sharing Agreement in this period.

Wood’s direct and indirect payments to Jaffe exceed the reasonable value of any “financial analysis, investment analysis and research services” that Jaffe may have provided. In fact, Wood’s direct and indirect payments to Jaffe compensated him for, and were made in connection with, the securities transactions conducted at the IBS Indianapolis branch.

**Violations of FINRA By-Laws Article III, Section 3(b) and FINRA Rule 2010
(Associating with Firm While Statutorily Disqualified)**

Article III, Section 3(b) of FINRA’s By-Laws provides that no person shall continue to be associated with a FINRA-regulated firm if the person becomes subject to statutory disqualification.

FINRA Rule 2010 provides that an associated person shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of his business. A

violation of FINRA's By-Laws or Rules also constitutes a violation of FINRA Rule 2010.

From no later than February 16, 2016, Jaffe associated with IBS and engaged in the firm's securities business despite his statutory disqualification.

As a result of the foregoing conduct, Jaffe violated Article III, Section 3(b) of FINRA's By-Laws and FINRA Rule 2010.

**Violations of NASD Rule 1031; FINRA Rules 1210 and 2010
(Unregistered Person Acting in a Registered Capacity)**

FINRA Rule 1210 (and formerly NASD Rule 1031) requires that each person engaged in the investment banking or securities business of a member shall be registered with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities.

From no later than February 16, 2016, while not registered with FINRA in any capacity, Jaffe has engaged in IBS's investment banking or securities business. Jaffe has performed functions of a General Securities Representative by, among other things, communicating with members of the public to determine their interest in making investments, communicating with customers in an effort to maintain their accounts at IBS, discussing the nature or details of particular securities or investment vehicles, recommending the purchase or sale of securities through Wood, and receiving compensation for, and in connection with, securities transactions of IBS customers.

As a result of the foregoing conduct, Jaffe violated NASD Rule 1031 (before October 1, 2018) and FINRA Rules 1210 (after September 30, 2018) and 2010.

Based on the foregoing, Respondent violated Article III, Section 3(b) of FINRA's By-Laws, NASD Rule 1031 (before October 1, 2018) and FINRA Rules 1210 (after September 30, 2018) 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 Respondent 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 Respondent be barred from associating with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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