

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018059661001**

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

RE: Insight Securities, Inc. (Respondent)
Member Firm
CRD No. 5611

Pursuant to FINRA Rule 9216, Respondent Insight Securities, Inc., submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Insight Securities became a member of FINRA in February 1971. The firm is headquartered in Highland Park, Illinois, and acts as an introducing broker-dealer in the purchase and sale of securities and options, and as a registered investment adviser to certain customers on a fee-basis. Insight Securities has 16 branches and 70 registered representatives.¹

OVERVIEW

Between 2016 and 2019, Insight Securities failed to capture, review, and retain thousands of business-related electronic communications sent and received through its representatives' personal cellular telephones via WhatsApp Messenger, commonly known as WhatsApp. Therefore, Insight Securities violated Section 17(a) of the Securities Exchange Act of 1934 (Exchange Act), Rule 17a-4 of the Exchange Act, and FINRA Rules 4511, 3110, and 2010.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2018 examination of Insight Securities.

FINRA Rule 4511 requires each FINRA member to make and preserve books and records as required under FINRA Rules, the Exchange Act, and the applicable Exchange Act rules. Exchange Act Rule 17a-4(b)(4) requires each FINRA member to preserve all communications relating to its business for a period of not less than three years, including instant messages. Exchange Act Rule 17a-4 also requires firms using electronic storage media to preserve records exclusively in a non-rewriteable, nonerasable format.

FINRA Rule 3110 requires each member to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b)(4) requires a firm to review incoming and outgoing electronic correspondence of its registered representatives relating to its securities business.

FINRA Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." Violations of FINRA Rule 4511 and Exchange Act provisions are violations of FINRA Rule 2010.

WhatsApp is a centralized instant messaging application run on mobile devices which, among other things, allows the user to send instant messages in an encrypted format.

Insight Securities' written procedures prohibited the use of instant messages for business purposes unless the firm granted an individual permission to use them. If permission were granted to any individual, the firm's procedures would have obligated it to capture that individual's instant messages and review and retain them, consistent with the firm's procedures related to the review and retention of email communications. However, the firm never granted anyone permission to send or receive instant messages for business purposes.

Nonetheless, the firm had no procedures to ensure that its representatives were complying with this prohibition and no procedures for capturing, reviewing, or retaining business-related communications sent or received via instant message. In fact, Insight Securities was aware that multiple representatives were communicating with their customers via WhatsApp and that these communications were often business-related. Yet, the firm failed to take any action to either stop this practice or capture, review, and retain business-related communications sent or received in this manner.

As a result, between 2016 and 2019, Insight Securities failed to capture, review, or retain more than 10,000 business-related WhatsApp instant messages sent or received by twenty different Insight Securities representatives. The messages were business-related in that they included information about customers' accounts, investments, or other aspects of the firm's securities business.

Therefore, Insight Securities violated Section 17(a) of the Exchange Act, Rule 17a-4 of the Exchange Act, and FINRA Rules 4511, 3110, and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$50,000 fine.²

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- 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, Respondent specifically and voluntarily waives 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 its acceptance or rejection.

² Pursuant to FINRA's *Sanction Guidelines*, General Principles Applicable to All Sanction Determinations No. 1, FINRA considered, among other things, the firm's size and financial resources in determining this fine.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

6/May/2022

Date



Insight Securities, Inc.

Print Name: Carlos Legaspy

Title: President and CEO

Reviewed by:



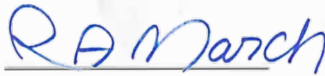
Nicholas P. Iavarone
Counsel for Respondent
The Iavarone Law Firm
33 North LaSalle Street
Suite 1400
Chicago, IL 60602

Accepted by FINRA:

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

June 10, 2022

Date



Richard A. March
Senior Counsel
FINRA
Department of Enforcement
55 West Monroe, Suite 2700
Chicago, IL 60603

ELECTION OF PAYMENT FORM

Respondent intends to pay the fine set forth in the attached Letter of Acceptance, Waiver, and Consent by the following method (check one):

- ☐ A check for the full amount;
- ☐ Wire transfer for the full amount;
- ☐ Credit card authorization for the full amount;³ or
- ☒ The installment payment plan (only if approved by the Department of Enforcement and the Office of Disciplinary Affairs).⁴

Respectfully submitted,

6/May/2022

Date



Insight Securities, Inc.
Respondent

Print Name: Carlos Legaspy

Title: President and CEO

³ Credit card payment is only available for fines of \$50,000 or less. Only Mastercard, Visa, and American Express are accepted. If this method is chosen, the appropriate forms will be mailed to Respondent by FINRA's Finance Department. Credit card information should not be included on this Election of Payment Form.

⁴ The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. Respondent must discuss these requirements with the Department of Enforcement prior to requesting this method of payment. If this method is chosen and approved, the appropriate forms will be mailed to Respondent by FINRA's Finance Department.

Corrective Action Statement

Beginning in 2019, Insight enlisted the third-party provider TeleMessage to assist monitoring WhatsApp communications. TeleMessage places software on an individual's cell phone that captures any instant messages, including those sent via WhatsApp, sending the instant message to an email address specified by Insight. The instant messages, now in email form, are achieved and then reviewed using the same criteria as that used for standard email review through the use of a lexicon of keywords to identify communications. Tagged messages are then exported to Outlook where rules inputted to Outlook filter out spam messages. The remaining messages are then manually reviewed by compliance to determine if any tagged communication violate Insight's communications policy or reveal possible customer complaints, employee misconduct or malfeasance, or a violation of FINRA rules. Insight also reviews the messages captured by the TeleMessage software on a real-time, random basis. When further investigation is required regarding a flagged message, a questionable transaction, or some other triggering event, compliance can recall all instant messages for an individual representative for a given time period.

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.