

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

Department of Enforcement,

Complainant,

v.

Rani Soto
CRD No. 6016117,

Respondent.

Disciplinary Proceeding
No. 2018059766702

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From January 2017 through September 2018, Rani Soto failed to disclose five outside business activities (OBAs) to his member firm, Prudential Investment Management Services LLC (Prudential), prior to engaging in the OBAs.

2. By failing to disclose these OBAs to his firm prior to engaging in them, Soto violated FINRA Rules 3270 and 2010.

3. In addition, Soto made false statements to his firm in four documents concerning his participation in the OBAs.

4. In May 2017 and July 2018, Soto falsely attested on annual compliance questionnaires for Prudential that he had not held any paid or unpaid positions at an outside business in the past year. At the time of his attestations, he had held paid positions at four OBAs.

5. In addition, Soto never updated his FINRA Uniform Application for Securities Industry Registration or Transfer on Form U4 (Form U4) to disclose these OBAs. Nevertheless, on November 2, 2017 and February 15, 2018, Soto falsely affirmed on annual Form U4 attestations to Prudential that the information on his Form U4 was “complete, accurate and up-to-date.”

6. By making these four false attestations to a member firm, Soto violated FINRA Rule 2010.

7. Throughout FINRA’s investigation of this matter, Soto failed to timely and completely respond to five requests for documents and information issued to Soto pursuant to FINRA Rule 8210.

8. Soto’s failure to respond to three Rule 8210 requests issued in late 2018 caused significant delay to FINRA’s investigation into Prudential’s termination of Soto in September 2018. His failures ultimately led to the initiation of a proceeding against Soto pursuant to FINRA Rule 9552 and Soto’s suspension.

9. Three days before Soto’s suspension would have converted to an all capacities bar pursuant to FINRA Rule 9552, he made a partial production of documents to FINRA that lifted his suspension.

10. After the suspension was lifted, Soto failed to timely and completely respond to two additional requests issued to him pursuant to FINRA Rule 8210 by Enforcement. Among other things, Soto failed to provide complete bank records and tax returns to Enforcement.

11. By failing to timely and completely respond to FINRA’s requests for documents and information, Soto violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

12. Soto first registered with FINRA in February 2012.

13. From January 2016 to September 2018, Soto was registered with FINRA as a General Securities Representative through an association with Prudential. On September 7, 2018, Prudential filed a Form U5 stating that it terminated Soto's employment for, "in part, [his] failure to disclose outside business activities (i.e., service in not-for-profit advocacy organizations)."

14. Since Soto's termination from Prudential on September 7, 2018, he has not been registered with FINRA or associated with a FINRA member firm.

15. Although Soto no longer is registered or associated with a FINRA member firm, he remains 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 September 7, 2018, which was the effective date of Soto's termination of registration with Prudential, and (2) the Complaint charges Soto with misconduct committed while he was registered or associated with a FINRA member, and with failing to respond to FINRA requests for information during the two-year period after the date Soto ceased being registered or associated with a FINRA member.

FACTS

I. SOTO ENGAGED IN NUMEROUS OUTSIDE BUSINESS ACTIVITIES WITHOUT PROVIDING PRIOR NOTICE TO PRUDENTIAL

16. From January 2017 through September 2018, Soto participated in the following five OBAs: High New York, LLC; CannaGather Inc.; National Cannabis Commission, a New Jersey Non-Profit Corporation; LeafLaunch LLC; and a rental property.

17. As alleged below, Prudential required registered representatives, such as Soto, to notify the firm of, and obtain approval to participate in, any OBAs regardless of whether the representative was compensated.

18. Soto did not notify the firm of, or obtain approval to participate in, any of these five OBAs.

19. Soto did not disclose these activities, in part, because he was afraid he would be terminated for participating in cannabis-related businesses.

A. High New York, LLC (High NY)

20. From January through April 2017, Soto worked for High NY, a cannabis networking group.

21. While Soto was registered with Prudential, High NY held networking events to educate business professionals and politicians about the cannabis industry.

22. In connection with his employment for High NY, Soto signed a non-disclosure agreement that described him as a “worker” for High NY with the title “Outreach.”

23. High NY paid Soto approximately \$50 per event held by High NY.

24. Soto failed to provide written notice to, and receive approval from, Prudential regarding his participation in High NY.

B. CannaGather, Inc. (CannaGather)

25. In April 2017, Soto co-founded CannaGather, a cannabis networking business.

26. While Soto was registered with Prudential, CannaGather held networking events to educate business professionals and politicians about the cannabis industry, and paid Soto 10 percent of its event ticket sales, and 30 percent of event sponsorships sold by Soto.

27. On June 30, 2018, Soto entered into a “Market Leader Agreement” (MLA) with CannaGather to form a franchise in New Jersey.

28. Under the terms of MLA, Soto was to receive a 30 percent interest in the franchise, which was scheduled to vest over a four-year period. The first 7.5 percent of this interest was scheduled to be paid after the first year. The MLA also granted Soto 25 percent of the profits from CannaGather events.

29. Soto left his position with CannaGather on May 1, 2019. As he did not remain for a year after the signing of the MLA, Soto did not receive the first 7.5 percent interest as described above.

30. Nevertheless, from July 2018 to at least September 2018, Soto received between \$1,500 and \$3,000 a month from sales of tickets and sponsorships to CannaGather events

31. In 2018, Soto earned a total of \$31,635 from CannaGather.

32. Soto failed to provide written notice to, and receive approval from, Prudential regarding his participation in CannaGather.

C. National Cannabis Commission, a New Jersey Non-Profit Corporation (NJCC)

33. In October 2017, Soto and four other people formed NJCC, a non-profit organized to advocate for social justice in the cannabis industry.

34. On November 22, 2017, NJCC filed a Certification of Incorporation with the New Jersey Department of the Treasury. The Certification of Incorporation listed Soto as a member of the Board of Trustees for NJCC.

35. In April 2018, Soto opened a bank account for NJCC and was an authorized signer on the account. The account remained open until June 2018.

36. NJCC held an event in Atlantic City, New Jersey before it ceased operations in June 2018.

37. Soto failed to provide written notice to, and receive approval from, Prudential regarding his participation in NJCC.

D. LeafLaunch LLC (LeafLaunch)

38. In January 2018, Soto along with two partners formed LeafLaunch, a cannabis education and consulting company.

39. LeafLaunch was a for-profit consulting company designed to help customers create an online presence to assist them in growing their revenue.

40. On January 4, 2018, LeafLaunch filed a Certificate of Formation with the New Jersey Department of the Treasury. The Certificate of Formation listed Soto as LeafLaunch's registered agent and Member/Manager.

41. In February 2018, Soto opened a bank account for LeafLaunch naming himself as an authorized signer. He executed numerous banking transactions on behalf of LeafLaunch, including paying bills and making deposits and debit card purchases.

42. Soto expected to be paid by LeafLaunch.

43. Soto failed to provide written notice to, and receive approval from, Prudential to participate in LeafLaunch.

E. Rental Property Owner

44. From January 2017 through December 2017, Soto owned a residential real estate property that he offered for rent.

45. During 2017, Soto received \$12,000 in rental income from the property. He also had \$12,379 in off-setting expenses related to the property.

46. Soto failed to provide prior written notice to, and receive approval from, Prudential regarding the rental property.

II. SOTO MADE FALSE STATEMENTS TO PRUDENTIAL ABOUT HIS OBAs

A. Prudential Required Disclosure and Approval of OBAs

47. During the time Soto worked at Prudential, the firm's written supervisory procedures required its registered representatives to obtain prior approval, in writing, of their involvement in an outside business or affiliation with an outside business which included serving as:

[An] outside director, officer, employee, partner, trustee, consultant or holding any other position in a public or private business enterprise, government agency or commission; or being elected or appointed to a federal, state or local elective office; or serving in paid and unpaid positions in a nonprofit organization.

48. Each year, the firm also required all registered representatives to complete a compliance questionnaire and disclose whether they were involved in an OBA.

49. In addition to the annual compliance questionnaire, the firm required registered representatives to annually complete a Form U4 attestation affirming that the information contained in the Form U4 is "complete, accurate and up-to-date."

50. Soto was familiar with the firm's process of obtaining approval for and reporting OBAs and his obligations related thereto.

51. Soto attended Prudential's annual compliance training, which covered disclosure obligations related to OBAs.

52. In 2016, Soto requested and received approval for an OBA related to his wife's health and wellness business, Soto Strategies.

B. Soto Repeatedly Failed to Disclose the Five OBAs

53. During his association with Prudential, Soto's Form U4 did not disclose the five OBAs alleged above.

54. Between May 2017 and July 2018, Soto made the following four false statements to Prudential to conceal his participation in the five OBAs.

55. On May 22, 2017, Soto falsely answered "no" to a question on the firm's annual questionnaire asking whether "[d]uring the last year, while affiliated with Prudential, [he was] a director, officer, employee, partner, consultant, trustee or [held] any other position with any public or private business enterprise . . . [or whether he] served in a paid or unpaid position in a non-profit or for profit organization." Prior to May 2017, Soto was actively working with High NY and CannaGather.

56. On November 2, 2017, Soto falsely stated on the firm's annual Form U4 attestation that the information contained in his Form U4 was "complete, accurate and up-to-date." Prior to November 2, 2017, Soto had not disclosed his participation in High NY, CannaGather, MMM, NJCC, or his rental property in his Form U4.

57. On February 15, 2018, Soto falsely stated on the firm's annual Form U4 attestation that the information contained in his Form U4 was "complete, accurate and up-to-date." Prior to February 15, 2018, Soto had not disclosed any of the five OBAs, including the formation of LeafLaunch in January 2018, in his Form U4.

58. Soto never updated his Form U4 to reflect his participation in any of the five OBAs alleged above.

59. On July 2, 2018, Soto falsely attested in writing to the firm that since his last compliance questionnaire, he had not “engaged in an outside business activity without first notifying and obtaining approval from [his] Supervisory Principal.”

60. This was false because, as alleged above, Soto engaged in multiple OBAs and never disclosed them to Prudential at any time or obtained Prudential’s approval.

61. In August 2018, Prudential terminated Soto’s employment in part because of his failure to disclose and obtain approval of OBAs.

III. SOTO REFUSED TO PROVIDE RESPONSES TO FINRA’S REQUESTS FOR INFORMATION

62. In September 2018, FINRA’s Preliminary Investigations Unit (PIU) began investigating the circumstances of Soto’s termination from Prudential.

63. On September 20, 2018, in connection with its investigation, PIU staff served a request (First Request) pursuant to FINRA Rule 8210, by both first class and certified mail on Soto’s address listed in the Central Registration Depository (CRD Address).

64. The First Request asked Soto to describe the circumstances surrounding his termination and requested documents and information about his participation in not-for-profit organizations. Specifically, the First Request called for a description of his involvement in the organizations, the names and contact information for all officers, and whether or not he was compensated or raised funds for the organizations. Soto’s response was due on October 4, 2018.

65. It is unknown if PIU’s certified mailing of the First Request was delivered as the postal service did not update the delivery status in its systems. PIU’s first-class mailing of the First Request was not returned.

66. Soto failed to respond to the First Request by the due date or request an extension of the deadline.

67. On November 8, 2018, PIU staff served a second request (Second Request) for documents and information pursuant to FINRA Rule 8210 by both certified mail and first-class mail on Soto's CRD Address and a second address found in public records (the Alternate Address).

68. The Second Request reiterated the requests contained in the First Request, and also asked for information regarding Soto's involvement in NJCC and CannaGather. Soto's response was due on November 23, 2018.

69. PIU's certified mailing of the Second Request to Soto's CRD address was never claimed. PIU's certified mailing to the Alternate Address was delivered on November 19, 2018. PIU's first-class mailing was not returned.

70. Soto failed to respond to the Second Request by the due date or request an extension of the deadline.

71. On December 4, 2018, PIU staff sent a third request (Third Request) pursuant to FINRA Rule 8210, which reiterated the requests contained in the Second Request and required Soto to respond by December 18, 2018.

72. PIU served the Third Request by certified mail and first class mail to Soto's CRD Address and Alternate Address.

73. PIUs certified mailings of the Third Request were delivered on December 10, 2018 to both the CRD Address and the Alternate Address. PIU's first-class mailing of the Third Request was not returned.

74. Soto failed to respond to the Third Request by the due date or request an extension of the deadline.

75. On January 10, 2019, in light of Soto's failure to respond to the First, Second, or Third Requests, FINRA staff served Soto a Notice of Suspension under FINRA Rule 9552 by certified and first-class mail at Soto's CRD and Alternate addresses.

76. The Notice informed Soto that based on his failure to provide information as required by FINRA Rule 8210, he would be suspended on February 4, 2019 if he did not comply with the First, Second, and Third Requests.

77. The certified mailings of the Notice of Suspension were delivered to Soto's CRD address and Alternate address on January 16, 2019. The first-class mailing of the Notice of Suspension was not returned.

78. Soto failed to comply with the First, Second and Third Requests.

79. On February 4, 2019, FINRA staff served Soto a letter (Suspension Letter) at his CRD Address, Alternate Address and at a third, additional address found in public records (the Second Alternate Address) by first-class and certified mail.

80. The Suspension Letter stated that under FINRA Rule 9552, Soto was suspended from associating with any FINRA member in any capacity. The Suspension Letter also stated that Soto could request termination of the suspension by fully complying with the First, Second and Third Requests. Failure to request termination with full compliance would result in a bar on April 15, 2019.

81. The Suspension Letter served on Soto's CRD Address was returned. The Suspension Letters served on the Alternate Address and on the Second Alternate Address remained in transit and were not delivered. The first-class mailings to each of these addresses were not returned.

82. On April 12, 2019, Soto sent a one-page letter to PIU's November 20, 2018 Rule 8210 request. Soto also confirmed in an email to FINRA staff that his current mailing address was the Alternate Address.

83. On April 19, 2019, Soto completed his written responses to the Second and Third Requests.

84. On April 23, 2019, FINRA terminated Soto's Rule 9552 suspension. The matter was referred to FINRA's Department of Enforcement.

85. On July 1, 2019, Enforcement staff sent Soto a request pursuant to FINRA Rule 8210 by first class and certified mail to the CRD Address (Fourth Request) and to Soto's email address. The Fourth Request asked Soto to produce his bank, brokerage, and investment account statements as well as copies of his 2017 and 2018 federal and state tax returns. The Fourth Request also asked Soto to provide his correct mailing address. Soto's response was due on July 15, 2019.

86. Soto responded to Enforcement Staff on July 1, 2019, by email, providing only a new mailing address.

87. Soto did not produce his bank, brokerage, and investment account statements, or copies of his federal and state tax returns by the July 15 deadline. He also did not request an extension of this deadline. These documents were material to FINRA's investigation based on Soto's multiple failures to disclose his OBAs.

88. On July 25, 2019, Enforcement staff sent a follow-up request (Fifth Request) pursuant to FINRA Rule 8210 to Soto at his CRD address and the address provided on July 1, 2019 reiterating the requests contained in the Fourth Request. Staff sent the Fifth Request by

first class mail and certified mail. Soto's response to the Fifth Request was due no later than August 8, 2019.

89. On August 6, 2019, Soto informed Enforcement staff by telephone that he would provide the information requested in the July 1, 2019 Rule 8210 request by no later than August 13, 2019.

90. On or about August 12, 2019, Soto provided partial bank records and his Federal tax transcripts from 2017 and 2018. Soto did not request an extension to produce the remaining, outstanding documents requested.

91. To date, Soto has not provided complete bank records and has not provided a copy of his federal and state tax returns, all of which remain material to FINRA's investigation of Soto's undisclosed OBAs.

FIRST CAUSE OF ACTION
Failure to Disclose Outside Business Activities
(FINRA Rules 3270 and 2010)

92. The Department of Enforcement re-alleges and incorporates by reference all preceding paragraphs.

93. FINRA Rule 3270 provides:

No 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.

94. FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade.

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

96. As alleged above, while registered with FINRA through an association with Prudential, Soto received, or expected to receive compensation from High NY, CannaGather, LeafLaunch, and his rental property. Soto also was the sole member of the Board of Trustees for NJCC.

97. Each of these business activities took place outside of the scope of his relationship with Prudential.

98. Soto never provided prior written notice as required by Prudential of his participation in High NY, CannaGather, LeafLaunch, NJCCC, or his rental property.

99. By virtue of the foregoing, Soto violated FINRA Rules 3270 and 2010.

**SECOND CAUSE OF ACTION
False Attestations to a FINRA Member Firm
(FINRA Rule 2010)**

100. The Department realleges and incorporates by reference all preceding paragraphs.

101. Between May 2017 and July 2018, Soto made four false attestations to the firm concerning his involvement in the five OBAs.

102. On May 22, 2017, Soto made a false statement on the firm's annual compliance questionnaire by answering "no" to the following question:

During the last year, while affiliated with Prudential, were you a director, officer, employee, partner, consultant, trustee or did you hold any other position with any public or private business enterprise . . . did you serve in a paid or unpaid position in a non-profit or for profit organization.

103. As alleged above, in the year prior to May 22, 2017, Soto participated in three OBAs: High NY, CannaGather, and a rental property.

104. On November 2, 2017, Soto falsely stated in the firm's annual Form U4 attestation that the information contained in his Form U4 was "complete, accurate and up-to-date."

105. Form U4 asks “[a]re you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise?” The Form requires, among other things, that the representative provide the name and nature of the business, and whether it is investment-related.

106. When he made this attestation on November 2, 2017, Soto had not disclosed his participation in High NY, CannaGather, NJCC, or his rental property on his Form U4.

107. On February 15, 2018, Soto again falsely stated on the firm’s annual Form U4 attestation that the information contained in his Form U4 was “complete, accurate and up-to-date.”

108. When he made his February 15, 2018 attestation, Soto had not disclosed his participation in High NY, CannaGather, NJCC, LeafLaunch or his rental property on his Form U4.

109. On July 2, 2018, Soto falsely answered “no” to the question asking whether, since his last attestation, he “engaged in an outside business activity without first notifying and obtaining approval from [his] Supervisory Principal.”

110. When he made this July 2, 2018 statement to Prudential, Soto had not disclosed his participation in High NY, CannaGather, NJCC, LeafLaunch or his rental property.

111. By virtue of the foregoing, Soto failed to observe high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

THIRD CAUSE OF ACTION
Failure to Provide Timely or Complete Responses to
FINRA Requests for Information and Documents
(FINRA Rules 8210 and 2010)

112. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

113. FINRA Rule 8210(a)(1) provides that FINRA staff may “require a . . . person subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in [an] investigation.”

114. FINRA Rule 8210(c) provides that “[n]o member or person shall fail to provide information . . . pursuant to this Rule.”

115. A violation of FINRA Rule 8210 is also a violation of FINRA Rule 2010.

116. While subject to FINRA’s jurisdiction between September 2018 and February 2019, Soto failed to timely respond to the First, Second and Third Requests. Soto’s failures to respond to the First, Second, and Third Requests resulted in his suspension in February 2019 pursuant to FINRA Rule 9552.

117. Even after his suspension was lifted in April 2019, Soto subsequently failed to timely and completely respond to the Fourth Request and Fifth Requests issued by Enforcement in July 2019 as part of its investigation into Soto’s undisclosed OBAs.

118. To date, Soto has provided only a partial response to the Fourth and Fifth Requests. He has failed to completely respond to the Fourth and Fifth Requests for more than one year.

119. The information requested is material to FINRA’s investigation of Soto’s involvement in the OBAs, his failure to disclose his OBAs to Prudential, and his false statements in questionnaires and attestations to Prudential.

120. Soto’s untimely and incomplete response has impeded and substantially delayed FINRA’s investigation.

121. By virtue of the foregoing, Soto violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 28, 2020



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