

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019064531501**

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

RE: Great Point Capital LLC (Respondent)
Member Firm
CRD No. 114203

Pursuant to FINRA Rule 9216, Respondent Great Point Capital LLC 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

Great Point has been a FINRA member since December 2001. It has approximately 200 registered representatives in 26 branch offices. Great Point is headquartered in Chicago, Illinois, and engages in a general securities business.

In December 2015, Great Point entered into an Offer of Settlement with FINRA finding that the firm failed to reasonably supervise for potentially manipulative trading activity, engaged in manipulative trading through two of its proprietary traders, and failed to reasonably supervise electronic communications. The sanction included a censure, a \$1.1 million fine, and an undertaking to engage an independent consultant.¹

OVERVIEW

From January 2018 through the present, Great Point violated FINRA Rules 3110 and 2010 by failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with rules prohibiting manipulative trading. Separately, from May 2019 to February 2022, Great Point violated FINRA Rules 3110 and 2010 by failing to reasonably supervise a registered representative's email communications to customers about investment opportunities that contained misleading, unwarranted, exaggerated, or promissory

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

statements, and by failing to reasonably enforce its procedures for supervisory review of such communications. For these violations, Great Point is censured, fined \$250,000, and has agreed to an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter arose from cross-market surveillance conducted by FINRA, and from FINRA's review of a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by Great Point.

A. Great Point failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with rules prohibiting manipulative trading.

FINRA Rule 3110(a) 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) further requires each member to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and applicable FINRA rules." A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010, which requires each member to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of its business.

FINRA has long emphasized that member firms have a fundamental obligation to implement a supervisory system tailored specifically to their businesses that addresses the risks of their associated persons' and customers' activities. A significant portion of Great Point's business is to cater to professional, active day traders, who enter and execute a significant volume of orders through the firm. This business model presents heightened risk of manipulative trading. The firm's supervisory system for detecting potential manipulative trading activity, however, was not reasonably designed or implemented in consideration of that heightened risk.

Since at least January 2018, Great Point relied on a third-party automated surveillance system to monitor trading activity and detect potentially manipulative trading, such as spoofing and layering, by the firm's customers and proprietary traders. However, the firm failed to reasonably design its surveillance system for potentially non-bona fide orders. For instance, while the firm used certain surveillance alerts designed to detect potential layering and spoofing, Great Point set the parameters of those alerts narrowly and excluded some potentially manipulative trading activity. As an example, the parameters of those alerts excluded potential spoofing and layering where the potential non bona fide orders were entered more than one minute before the executed order even though layering and spoofing activity, particularly in illiquid securities, can take place over the course of more than one minute. Those alerts also only captured orders entered at or outside the National Best Bid and Offer (NBBO). As a result of these parameter settings,

the firm's trade surveillance failed to detect potentially manipulative activity throughout the relevant period.

Great Point also failed to reasonably supervise the review of its trade surveillance alerts. The firm delegated the review of its trade surveillance alerts to compliance associates who rarely documented escalation of alerts to the firm's principals. The firm's written supervisory procedures failed to describe what a compliance associate should evaluate when reviewing alerts from the automated surveillance system and when alerts should be escalated for additional investigation. In addition, the written supervisory procedures did not provide for a supervisory review of the decisions by compliance associates to close alerts without escalation.

By failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with rules prohibiting manipulative trading activity, Great Point violated FINRA Rules 3110 and 2010.

B. Great Point failed to reasonably supervise a representative's email communications to his customers and failed to enforce its procedures for supervisory review of such communications.

FINRA Rule 3110(b)(4) requires members to establish, maintain, and enforce written procedures to supervise correspondence relating to their investment banking or securities business. The duty to supervise communications includes the responsibility to investigate red flags of potential misconduct and to act upon the results of such investigation.

FINRA Rule 2210 governs communications by registered representatives with the public. FINRA Rule 2210(d)(1)(A) provides, "[a]ll member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service." FINRA Rule 2210(d)(1)(B) prohibits members from making "any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication."

Between May 2019 and February 2022, a Great Point representative sent over a thousand emails to retail customers about private placements that contained misleading, unwarranted, exaggerated, or promissory statements.² Dozens of those emails also falsely claimed the representative was an investment banker, even though he lacked FINRA registration in that capacity.

During this period, Great Point failed to reasonably supervise the representative's email communications or enforce its written procedures for review of electronic communications. The firm's procedures required supervisory personnel to review a subset of each representative's emails and to escalate when those communications violated Rule 2210's content standards. Great Point's email review system flagged 130

² FINRA suspended the representative for five months in all capacities and fined him \$10,000 for violating FINRA Rules 2210 and 2010.

email communications sent by the representative to potential customers containing misleading, unwarranted, exaggerated, or promissory language, including false claims of being an investment banker. Many of the communications also lacked factual bases for customers to evaluate the representative's claims about the private placements and failed to include explanations of the risks associated with the investments. Notwithstanding these red flags, Great Point's supervisory personnel marked all 130 emails as "compliant" without escalation or further review. The firm took no action to address the representative's misconduct until a 2022 internal investigation prompted by a regulatory request identified the issues, after which the representative was permitted to resign.

Therefore, Great Point violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$250,000 fine, of which \$150,000 shall be paid to FINRA;³ and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Rule 3110 and 2010 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Jeffrey Baldwin, Senior Counsel, at FINRA – Enforcement Department, 1601 Market Street, Suite 2700, Philadelphia PA, 19103 and jeffrey.baldwin@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

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.

³ The remainder of the fine will be paid to Investors Exchange LLC.

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.

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.

3-23-26
Date

G. Mengin
Great Point Capital LLC
Respondent

Print Name: Gabriel Mengin

Title: President

Reviewed by:

A. F. Fata 3/23/26
Anthony F. Fata, Esq.
Counsel for Respondent
Fata Law LLC
211 W. Wacker Dr.
Suite 550F
Chicago, IL 60606

Accepted by FINRA:

04/06/2026
Date

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

J. E. Baldwin
Jeffrey E. Baldwin
Senior Counsel
FINRA
Department of Enforcement
1601 Market Street
Suite 2700
Philadelphia, PA 19103