

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065096501**

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

RE: Ecoban Securities Corporation (Respondent)
Member Firm
CRD No. 29112

Pursuant to FINRA Rule 9216, Respondent Ecoban Securities Corporation (Ecoban) 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

Ecoban has been a member firm of FINRA since 1992. The firm is headquartered in New Rochelle, New York. Ecoban has approximately 28 registered representatives working at non-branch locations.¹

OVERVIEW

From April 2019 through April 2020, Ecoban failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to supervise its representatives' use of non-firm email for firm business communications. The firm also failed to properly preserve non-firm business emails during this time period.

From July 2016 through April 2020, Ecoban failed to establish and maintain a supervisory system relating to outside brokerage account activities, outside business activities and private securities transactions.

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

Further, from April 2019 through April 2020, Ecoban failed to establish, maintain and enforce a supervisory system, including WSPs, related to supervisory controls and failed to conduct supervisory controls testing and submit a CEO certification.

As a result, the firm violated FINRA Rules 3110(a) and (b), 3120(a), 3130(b), 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2020 cycle exam of Ecoban.

The firm failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to supervise representatives' use of non-firm email and failed to comply with recordkeeping obligations.

FINRA Rule 3110(a) requires members to "establish and maintain a system . . . that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

FINRA Rule 3110(b) requires each member to "establish, maintain, and enforce" WSPs that are "reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b)(4), specifies that a firm's WSPs must include procedures "for the review of incoming and outgoing written (including electronic) correspondence . . . relating to the member's . . . securities business," and that a registered principal must document his or her review of the correspondence.

FINRA Rule 4511 provides, in part, that each member "shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Exchange Act Rule 17a-4(b)(4) requires that broker-dealers "preserve for a period of not less than three years . . . copies of all communications sent (and any approvals thereof) by the member relating to its business as such, including all . . . communications with the public."

A violation of FINRA Rule 3110 or FINRA Rule 4511 also constitutes a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

From April 2019 through April 2020, Ecoban failed to establish a supervisory system and WSPs reasonably designed to supervise its representatives' use of non-firm email for firm securities business communications. The WSPs did not provide any limitations on the use of non-firm email by registered representatives, while stating that all firm email, as well as "designated" non-firm email, was to be reviewed using a third-party system. The WSPs, however, did not provide any guidance regarding how such emails would be "designated" and captured by the third-party system. Nor did the firm take any steps to ensure that the registered representatives who were using non-firm email addresses

copied a firm email on their business-related communication so that the communication was captured by the third-party system.

The firm failed to capture and review 13 representatives' firm securities business communications sent via non-firm email. As a result of its failure to capture email from these 13 representatives, the firm failed to review the emails and failed to preserve the emails.

Therefore, the firm violated FINRA Rules 3110(a) and (b), 4511, and 2010.

The firm failed to establish and maintain a supervisory system reasonably designed to supervise outside brokerage accounts.

FINRA Rule 3210 and its predecessor, NASD Rule 3050,² require associated persons to obtain the prior consent of their employer firm before opening or establishing an account at another member. As set forth in FINRA Regulatory Notice 16-22,³ "[s]ound supervisory practices require that a member firm monitor personal accounts opened or established outside of the firm by its associated persons."

From July 2016 through April 2020, the firm did not have a system reasonably designed to supervise outside accounts of its representatives for compliance with FINRA Rule 3210 and its predecessor rule. The firm failed to collect duplicate outside brokerage account statements from nine outside brokerage accounts for six registered representatives. As a result of the firm's failure to collect these statements, the firm was unable to perform a reasonable review for any unacceptable trading practices, including insider trading and front running. For the same period, the firm failed to include on the restricted product list a private offering in which the firm participated, and failed to distribute its restricted product list to all registered representatives.

Therefore, the firm violated FINRA Rules 3110(a) and 2010.

The firm failed to establish and maintain a supervisory system reasonably designed to supervise outside business activities and private securities transactions.

FINRA Rule 3270 prohibits a representative from engaging in an OBA unless "he or she has provided prior written notice to the member, in such for as specified by the member." The Supplementary Material to FINRA Rule 3270 (sometimes referred to as FINRA Rule 3270.01) sets forth a member's obligations when it receives notice of a representative's OBA, including evaluating potential conditions or limitations on the activity. FINRA Rule 3280 requires that prior to participating in a PST, a person associated with a member firm must give written notice to the firm meeting certain requirements set forth in the rule.

² FINRA Rule 3210 superseded NASD Rule 3050 April 3, 2017.

³ See FINRA Regulatory Notice 16-22 (June 2016).

From July 2016 through April 2020, the firm did not have a system reasonably designed to supervise OBAs and PSTs of its representatives for compliance with FINRA Rules 3270 and 3280. The firm received verbal notice from certain representatives regarding their OBAs and PSTs during the firm's onboarding process. The firm did not follow-up to obtain further detail or written submissions regarding these activities in order to evaluate whether they presented any conflicts with firm business, involved customers or presented any additional issues. The firm failed to review and evaluate OBAs for six registered representatives and the PST activity of one registered representative.

Therefore, the firm violated FINRA Rules 3110(a) and 2010.

The firm failed to conduct testing of its supervisory control system, failed to prepare a CEO certification, and failed to have a reasonable supervisory system and WSPs regarding these controls.

FINRA Rule 3120(a) requires, among other things, that a firm "shall establish, maintain, and enforce a system of supervisory control policies and procedures that . . . test and verify that the [firm's] supervisory procedures are reasonably designed . . . to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules" and "create or amend supervisory procedures where the need is identified by such testing and verification." Rule 3120(a) also requires that a designated principal submit at least annually a report to senior management "detailing each [firm's] system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results."

FINRA Rule 3130(b) requires, among other things, that the firm's CEO certify annually that the firm "has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations." A violation of either FINRA Rule 3120(a) or FINRA Rule 3130(b) constitutes a violation of FINRA Rule 2010.

From April 2019 through April 2020, Ecoban failed to establish and maintain a supervisory system and WSPs reasonably designed to ensure that required supervisory control testing and certification was conducted. Ecoban's WSPs did not describe the firm's obligation to submit to management at least annually a report detailing the firm's system of supervisory controls and the related requirements of Rule 3120(a). During this time period, the firm did not test or report to senior management on its supervisory controls or procedures nor did the CEO prepare an annual certification.

Therefore, the firm violated FINRA Rules 3110(a) and (b), 3120(a), 3130(b), and 2010.

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

- a censure;

- a \$40,000 fine; and
- the following undertaking:
 - Certification Regarding Implementation of Reasonably Designed Procedures. Within no later than 90 days of the date this AWC is accepted, a senior officer and principal of Ecoban shall certify in writing to FINRA that that the firm has implemented supervisory systems and WSPs reasonably designed to address the deficiencies identified in the AWC. This certification shall be submitted to John Sheehan, Principal Counsel, FINRA Enforcement Department, 100 Pine Street, Suite 1800, San Francisco, CA, 94111 and to John.Sheehan@finra.org.

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.

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.

December 3, 2021

Date

Stephen P. de Got

Ecoban Securities Corporation
Respondent

Print Name: Stephen P. de Got

Title: President

Accepted by FINRA:

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

December 3, 2021

Date

John Sheehan

John Sheehan
Principal Counsel
FINRA
Department of Enforcement
100 Pine Street, Suite 1800
San Francisco, CA 94111