

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065188801**

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

RE: Nolan Securities Corp. (Respondent)
Member Firm
CRD No. 27984

Bruce P. Kelly (Respondent)
General Securities Principal, General Securities Representative
Introducing Broker-Dealer Financial and Operations Principal,
Operations Professional and Compliance Officer
CRD No. 1385457

Pursuant to FINRA Rule 9216, Respondents Nolan Securities Corp. and Bruce P. Kelly submit 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 Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Nolan Securities has been a FINRA member since 1991 and is headquartered in Monterey, Massachusetts. The firm employs four registered representatives in one branch office and engages in an investment banking business, including acting as a placement agent for private placements and advising on mergers and acquisitions. The firm is also authorized in its Membership Agreement to engage in the private placement of securities.

In 1985, Kelly first registered with FINRA as General Securities Representative (GS) through a former FINRA member firm. From April 1995 to the present, Kelly has been registered as a GS through an association with Nolan Securities. Kelly also became registered in additional capacities through Nolan Securities, including as a General Securities Principal, Compliance Officer, Introducing Broker-Dealer Financial and Operations Principal, and Operations Professional, and he currently is registered in those

capacities. Kelly is also the majority owner, Chief Executive Officer, and Chief Compliance Officer of Nolan Securities.

Respondents do not have any relevant disciplinary history.

OVERVIEW

Nolan Securities failed to provide for annual independent testing of the firm's anti-money laundering (AML) compliance program from 2016 through 2019, in violation of FINRA Rules 3310(c) and 2010.

Since at least 2016, Kelly has engaged in activities at Nolan Securities that require registration as an Investment Banking Representative (IB), despite not being registered with FINRA in that capacity. As a result, Kelly violated NASD Rule 1031 and FINRA Rules 1210 and 2010.¹

FACTS AND VIOLATIVE CONDUCT

1. Nolan Securities Failed to Conduct Annual AML Testing

FINRA Rule 3310 requires members to develop and implement a written AML program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act and its implementing regulations. FINRA Rule 3310(c) requires that firms' AML programs shall "[p]rovide for annual (on a calendar-year basis) independent testing for compliance to be conducted by member personnel or by a qualified outside party, unless the member does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such 'independent testing' is required every two years (on a calendar-year basis)." A violation of FINRA Rule 3310(c) also constitutes a violation of FINRA Rule 2010, which requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade.

Nolan Securities engages in an investment banking business, including acting as a placement agent for private placements. As a result, Nolan Securities was required to provide for an independent AML test on an annual basis. However, the firm failed to conduct AML independent tests during the calendar years 2016 through 2019.

Therefore, Nolan Securities violated FINRA Rules 3310(c) and 2010.

¹ FINRA Rule 1210 superseded NASD Rule 1031 on October 1, 2018.

2. Kelly Failed to Register with FINRA as an IB

FINRA Rule 1210, like its predecessor 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 as specified in Rule 1220.

FINRA Rule 1220(b)(5)(A) requires representatives to register with FINRA as an IB if their activities in a member firm's investment banking or securities business involve (i) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or (ii) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.² A violation of FINRA Rule 1210 and NASD Rule 1031 also constitutes a violation of FINRA Rule 2010.

Regulatory Notice 09-41 (RN 09-41), issued on November 2, 2009, provided detailed guidance to the industry regarding the IB registration category. RN 09-41 stated "[i]ndividuals whose activities require registration as an [IB] will be required to pass the [IB] Qualification Examination (Series 79) or obtain a waiver." However, RN 09-41 further stated that "[i]ndividuals who are registered as a [GS] and engage in the member firm's investment banking business . . . may 'opt in' to the new registration category by May 3, 2010 (within six months of the effective date)."

At the time RN 09-41 was issued in November 2009, Kelly was registered with FINRA as a GS, but he failed to opt in to the new IB registration category. Nevertheless, Kelly continued to engage in an investment banking business including from 2016 to the present, without registering with FINRA as an IB or obtaining a waiver.

Therefore, Kelly violated NASD Rule 1031 and FINRA Rules 1210 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

For Nolan Securities:

- a \$5,000 fine.

² FINRA Rule 1220 superseded NASD Rule 1032 on October 1, 2018.

For Kelly:

- a two-month suspension from association with any FINRA member in all capacities; and
- a \$5,000 fine.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

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

Respondent Kelly understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 - 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. Respondents 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. Respondents 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 Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct.

Respondents understand that they 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 Nolan Securities, 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.

March 4, 2021

Date

Bruce P. Kelly

Nolan Securities Corp.

Respondent

Print Name: Bruce P. Kelly

Title: CEO

Respondent Kelly certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA for legal advice. Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

March 4, 2021

Date

Bruce P. Kelly

Bruce P. Kelly

Respondent

Accepted by FINRA:

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

Michael Dorfman-Gonzalez

March 22, 2021

Date

Michael Dorfman-Gonzalez

Counsel

FINRA

Department of Enforcement

200 Liberty Street

New York, NY 10281