

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068109001**

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

RE: Crown Capital Securities, L.P. (Respondent)
Member Firm
CRD No. 6312

Pursuant to FINRA Rule 9216, Respondent Crown Capital Securities, L.P. 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

Crown Capital Securities, L.P. has been a FINRA member since 1972. The firm provides financial services to customers, including retail brokerage and wealth management to individuals. The firm is headquartered in Orange, California, has approximately 300 registered representatives, and 164 registered branch offices.¹

OVERVIEW

Between January 2017 and January 2021, Crown Capital paid approximately \$19.3 million in transaction-based compensation to unregistered entities in violation of FINRA Rules 2040 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an Enforcement review.

FINRA Rule 2040 prohibits member firms and associated persons from paying any compensation, fees, concessions, discounts, commissions or other allowances to any person that is not registered as a broker-dealer but would be required to be registered by reason of the receipt of any such payments. A violation of FINRA Rule 2040 also

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

constitutes a violation of FINRA Rule 2010, which requires members to observe high standards of commercial honor and just and equitable principals of trade in the conduct of their business.

Between January 2017 and January 2021, Crown Capital paid approximately \$19.3 million in commissions earned by 18 of its registered representatives to 18 unregistered entities. The unregistered entities were corporations and limited liability companies created by the registered representatives to serve as doing business as names for their securities businesses and were disclosed and approved outside business activities. Crown Capital made payments to the unregistered entities instead of paying commissions directly to the registered representatives.

Therefore, Crown Capital violated FINRA Rules 2040 and 2010.

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

- a censure;
- a \$75,000 fine; and
- a certification signed by an officer and principal of the firm that, as of the date of the certification, all of Crown Capital's commission and payment arrangements, including but not limited to those paid in connection with any networking agreements, comply with FINRA Rule 2040.

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.

2/25/2022
Date


Crown Capital Securities, L.P.
Respondent

Print Name: Jonathan French

Title: President

Reviewed by:


Benjamin J. Biard, Esq.
Counsel for Respondent
Winget, Spadafora & Schwartzberg, LLP
One Southeast Third Avenue Suite 1950
Miami, Florida 33131

Accepted by FINRA:

03/11/2022

Date

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



John Michael Q. Seibler

Counsel

FINRA

Department of Enforcement

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Rockville, MD 20850