

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021070208701**

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

RE: SprinkleBrokerage, Inc. (Respondent)
Member Firm
CRD No. 285216

John Alexander Wallin (Respondent)
General Securities Principal and General Securities Representative
CRD No. 6000899

Pursuant to FINRA Rule 9216, Respondents SprinkleBrokerage, Inc. and John Alexander Wallin 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 accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

SprinkleBrokerage has been a FINRA member since 2017 and conducts a general securities business. The firm has two registered representatives and is headquartered in San Diego, California.

John Alexander Wallin first registered with FINRA in April 2014. Since May 2017, he has been registered with FINRA as a General Securities Principal and General Securities Representative, among other capacities, through his association with SprinkleBrokerage. Since the firm's founding, Wallin has been SprinkleBrokerage's president, chief executive officer, chief compliance officer, and anti-money laundering compliance officer (AMLCO).¹

OVERVIEW

From at least September 2020 through the present, Respondents SprinkleBrokerage and Wallin, the firm's AMLCO, have failed to establish and implement AML policies and

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

procedures reasonably expected to detect and cause the reporting of suspicious activity. They also failed to develop and implement appropriate risk-based procedures for ongoing customer due diligence. As a result, SprinkleBrokerage and Wallin violated FINRA Rules 3310 and 2010.

Additionally, from February 2020 through December 15, 2022, SprinkleBrokerage and Wallin, also the firm's chief executive officer, failed to update SprinkleBrokerage's Uniform Application for Broker-Dealer Registration (Form BD) to reflect that the firm had moved from its original location in Jersey City, New Jersey, to a location in Sweden. As a result, SprinkleBrokerage and Wallin violated Article IV, Section 1(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2021 cycle examination of SprinkleBrokerage.

A. Respondents failed to develop and implement a reasonable AML program.

FINRA Rule 3310 requires that each member firm develop and implement a written AML compliance program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*) (BSA) and its implementing regulations. Rule 3310(a) further requires that each member firm "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under [the BSA] and the implementing regulations thereunder." The regulations implementing the BSA, in turn, require every broker-dealer to file with the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) "a report of any suspicious transactions relevant to a possible violation of law or regulation."² FINRA Rule 3310(f) further requires that each member firm's AML compliance program:

Include appropriate risk-based procedures for conducting ongoing customer due diligence, to include, but not be limited to:

- (i) Understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and
- (ii) Conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

A violation of FINRA Rule 3310 also is a violation of FINRA Rule 2010, which requires member firms and their associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

² 31 C.F.R. § 1023.320.

From at least September 2020 through the present, SprinkleBrokerage and Wallin, who was responsible for all aspects of the firm's AML program, have failed to develop and implement an AML compliance program that complied with FINRA Rule 3310.

First, SprinkleBrokerage and Wallin failed to develop and implement AML procedures including appropriate risk-based procedures for conducting ongoing customer due diligence, as required by Rule 3310(f). The firm's AML procedures stated "[h]igher risk accounts should be subject to greater due diligence," but they did not specify how to determine which accounts required heightened due diligence, nor did they specify when or what ongoing customer due diligence would be required. In practice, Wallin failed to conduct ongoing customer due diligence, as he was responsible for doing under the firm's AML procedures. This resulted in the firm failing to identify and monitor, for AML purposes, the following:

- Many of SprinkleBrokerage's customers styled themselves as "pre-IPO funds," which, according to representations they made to SprinkleBrokerage, were entities that solicited investments from retail investors and used investor funds to acquire shares of companies prior to their initial public offerings (IPOs). Once those customers opened accounts at SprinkleBrokerage, they, following IPOs, deposited shares of now-publicly traded companies into their SprinkleBrokerage accounts and then transferred those shares to the accounts of other customers at other firms, which the pre-IPO fund customers represented to SprinkleBrokerage were their investors. Neither Wallin nor the firm adequately assessed the risk profile of this business activity and, as a result, did not assess AML risks such as the transfer of restricted shares or potentially unregistered brokerage activity by the firm's customers.
- After account opening, certain of SprinkleBrokerage's pre-IPO fund customers began journaling shares between various fund entities, which did not comport with their stated business models. Neither Wallin nor SprinkleBrokerage sufficiently conducted ongoing customer due diligence on these pre-IPO fund customers to, for example, consider changes in their business practices.
- Though SprinkleBrokerage's customers were legal entities, the firm did not adequately assess information provided concerning the beneficial owners of those entities. As a result, the firm and Wallin failed to identify instances when account opening documentation suggested that the stated beneficial owners were acting on behalf of individuals previously disciplined by FINRA or the SEC. Wallin never, therefore, considered such information when monitoring these customers' ongoing activity.

Second, SprinkleBrokerage and Wallin did not establish and implement an AML program reasonably designed to detect and cause the reporting of suspicious activity, as required by FINRA Rule 3310(a). The firm's AML procedures pertaining to the detection and reporting of suspicious activity included a list of "red flags" that was not tailored to the AML risks posed by the firm's customer base of pre-IPO funds. Additionally, Wallin—who was at all times responsible for the firm's AML surveillance and SAR filings—

failed to conduct AML investigations into activity by the firm's pre-IPO fund customers, even when SprinkleBrokerage's clearing firms informed Wallin of AML concerns about those customers.

Therefore, Respondents violated FINRA Rules 3310 and 2010.

B. Respondents failed to update SprinkleBrokerage's Form BD and filed an inaccurate Form BD.

Article IV, Section 1(c) of FINRA's By-Laws requires each member to keep its membership application with FINRA current at all times. Failing to timely update a Form BD or reporting information on Form BD that is materially false, misleading, or inaccurate violates Article IV, Section 1(c) of FINRA's By-laws. Additionally, FINRA Rule 1122 states that:

No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.

A violation of Article IV, Section 1(c) of FINRA's By-Laws and FINRA Rule 1122 also is a violation of FINRA Rule 2010.

In February 2020, SprinkleBrokerage ceased operating at the Jersey City, New Jersey location then listed as the firm's sole location on its Form BD, and began operating out of a location in Sweden. SprinkleBrokerage failed to update its Form BD to reflect this change. Instead, on July 16, 2020, Wallin—as the firm's CEO and firm principal responsible for the firm's Form BD—filed an amended Form BD for SprinkleBrokerage, which incorrectly listed the firm's sole location as Jersey City, New Jersey.

On December 16, 2022, Wallin filed an amended Form BD for SprinkleBrokerage correctly listing the firm's new main office in San Diego, California, where the firm recently had relocated its headquarters.

Therefore, Respondents violated Article IV, Section 1(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

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

For SprinkleBrokerage:

- a censure;

- a \$15,000 fine;³ and
- An undertaking that, within 180 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 FINRA Rule 3310 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 Amanda Fein, Senior Counsel, FINRA, 99 High Street, Boston, MA 02129, Amanda.Fein@FINRA.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

For Wallin:

- a five-month suspension from associating with any FINRA member in all principal capacities;
- a \$10,000 fine; and
- a requirement that, prior to reassociating with any FINRA member in any principal capacity, he complete 10 hours of continuing education concerning AML and/or supervisory responsibilities, by a provider not unacceptable to FINRA staff, concerning AML, and submit satisfactory proof of his completion of such to Amanda Fein, Senior Counsel, FINRA, 99 High Street, Boston, MA 02129, Amanda.Fein@FINRA.org, with a copy to EnforcementNotice@finra.org.

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 fine 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 John Alexander Wallin understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, 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, Respondent John Alexander Wallin may not be associated with any FINRA

³ Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources.

member in any principal capacity during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent John Alexander Wallin is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 record 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' 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 Respondents' testimonial obligations in any litigation or other legal proceedings.

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 Respondent SprinkleBrokerage, Inc. certifies that a person duly authorized to act on Respondent SprinkleBrokerage, Inc.'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 SprinkleBrokerage, Inc. 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 SprinkleBrokerage, Inc. to submit this AWC.

4/10/2023
Date

Alexander Wallin
SprinkleBrokerage, Inc.
Respondent

Print Name: Alexander Wallin

Title: President

Respondent John Alexander Wallin 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 John Alexander Wallin 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.

4/10/2023
Date

Alexander Wallin
John Alexander Wallin
Respondent

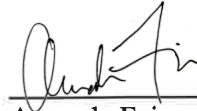
Reviewed by:

Alan Sash
Alan Sash
Counsel for Respondents
Partner
McLaughlin & Stern, LLP
260 Madison Avenue
New York, NY 10016

Accepted by FINRA:

April 27, 2023
Date

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



Amanda Fein
Senior Counsel
FINRA
Department of Enforcement
99 High Street
Boston, MA 02129