

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021070970501**

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

RE: H2C Securities Inc. (Respondent)
Member Firm
CRD No. 7169

Pursuant to FINRA Rule 9216, Respondent H2C Securities Inc. 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

H2C Securities has been a FINRA member since 1976 and is headquartered in Atlanta, Georgia. The firm has 33 registered representatives and four branch offices. H2C Securities provides investment banking and strategic advisory services to institutional investors.¹

OVERVIEW

From at least January 2013 to June 2021, H2C Securities failed to preserve and review over 1.25 million business-related electronic communications on four platforms, the vast majority of which were mass marketing emails. During this period, the firm's supervisory system, including written supervisory procedures, was not reasonably designed to achieve compliance with the firm's obligation to capture, retain, and review communications sent or received using these electronic communication platforms. As a result, H2C Securities violated Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4, NASD Rule 3010, and FINRA Rules 3110, 4511, and 2010.²

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

² FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of a FINRA Rule 4530 disclosure filed by H2C Securities on April 6, 2021.

FINRA Rule 4511 requires member firms to make and preserve books and records as required under the FINRA rules, the Exchange Act, and the applicable Exchange Act rules. Under Exchange Act § 17(a) and Exchange Act Rule 17a-4(b)(4), member firms are required to preserve for a period of at least three years the originals of all communications received, and copies of all communications sent, relating to the member firm's business.

FINRA Rule 3110(a), and its predecessor, NASD Rule 3010(a), require a member firm 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 and NASD rules.

FINRA Rule 3110(b)(4), and its predecessor, NASD Rule 3010(d)(2), provide that the firm's supervisory procedures shall include procedures for the review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member's investment banking or securities business.

A violation of Exchange Act § 17(a), Exchange Act Rule 17a-4(b)(4), or any of the aforementioned FINRA or NASD rules, is also a violation of FINRA Rule 2010, which requires that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.

From at least January 2013 to June 2021, H2C Securities failed to preserve and review over 1.25 million business-related electronic communications, including internal and external emails, instant messages, mass marketing materials, and documents requiring customers' electronic signatures. These communications were sent or received by associated persons of H2C using four platforms that the firm made available to them.

During this period, the firm's supervisory system failed to address the use of the four platforms at issue or how the firm would capture, preserve, and review communications made through them. The firm's written supervisory procedures failed to identify: (1) that associated persons had access to these platforms; (2) the circumstances under which associated persons could use these platforms for electronic communications; or (3) how the firm would preserve and review communications made through these platforms. Additionally, the firm did not conduct any reviews of its system to preserve electronic communications sent or received through the four platforms until March 2021. At that time, H2C Securities discovered, during a compliance review, that it had not established data feeds from the four platforms to the system that the firm used to store and maintain electronic communications. H2C Securities discontinued its use of three of the communication platforms in April 2021, and in July 2021, it established a data feed from the remaining platform to the firm's system for storing and maintaining electronic communications.

H2C Securities has since retrieved and reviewed some communications that its associated persons sent or received using the four platforms, but the firm has been unable to recover most of the communications. The vast majority of the affected communications were mass marketing emails sent to large distribution lists. The firm preserved at least one copy of many of the mass marketing communications, but it did not preserve a copy of each message sent to each recipient.

Therefore, H2C Securities violated Exchange Act § 17(a), Exchange Act Rule 17a-4, NASD Rule 3010, and FINRA Rules 3110, 4511, and 2010.

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

- a censure;
- a \$250,000 fine; and
- an undertaking that, within 60 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 Exchange Act § 17(a), Exchange Act Rule 17a-4, and FINRA Rules 3110 and 4511, 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 Rebecca Segrest, Senior Counsel, FINRA Department of Enforcement, 9509 Key West Avenue, Rockville, MD 20850, and to rebecca.segrest@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.

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.

March 24, 2024
Date

William B. Hanlon III
H2C Securities Inc.
Respondent

Print Name: WILLIAM B. HANLON III

Title: President, H2C Securities, Inc.

Reviewed by:

Robert J. McGahan
Robert J. McGahan
Counsel for Respondent
Nelson Mullins
101 Constitution Avenue, NW
Suite 900
Washington, D.C. 20001

Accepted by FINRA:

March 29, 2024

Date

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

Rebecca Segrest

Rebecca Segrest³
Senior Counsel
FINRA
Department of Enforcement
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Rockville, MD 20850

³ Licensed to practice law in Georgia only.