

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021071366302**

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

RE: Insigneo Securities, LLC (Respondent)
Member Firm
CRD No. 29249

Pursuant to FINRA Rule 9216, Respondent Insigneo Securities, LLC 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

Insigneo became registered as a FINRA member in October 1991. The firm is based in Miami, Florida and has 285 registered representatives operating from 20 branch offices. The firm is engaged in a general securities business.¹

OVERVIEW

During the period from April 2021 to January 2022, Insigneo failed to reasonably supervise a former registered representative's participation in private securities transactions in violation of FINRA Rules 3110 and 2010.

During the period from April 2022 to September 2023, Insigneo failed to accurately report, overreported and failed to report transactions to the Trade Reporting and Compliance Engine (TRACE) in violation of FINRA Rules 6730 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA branch and cycle examinations of Insigneo.

Failure to Reasonably Supervise Private Securities Transactions

FINRA Rule 3110(a) requires each FINRA member 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 rules. FINRA Rule 3110(b) requires each FINRA member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise imposed by Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and act upon the results of such investigation.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires FINRA members to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

FINRA Rule 3280 prohibits any person associated with a member firm from “participat[ing] in any manner in a private securities transaction,” unless, prior to participating in the transaction, the associated person provides “written notice to the member with which he is associated describing in detail the proposed transaction and the person’s proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction.” FINRA Rule 3280(e) defines a private securities transaction as “any securities transaction outside the regular course or scope of an associated person’s employment with a member.” FINRA Rule 3280(c) provides that if an associated person has received or may receive selling compensation, the member firm shall provide written approval or disapproval of the associated person’s participation in the proposed private securities transaction, and if the firm approves of the transaction record the transaction on its books and records and supervise the participation in the transaction as if the transaction were executed on behalf of the member. FINRA Rule 3280(d) provides that in the case of a transaction or a series of related transactions in which an associated person has not and will not receive any selling compensation, a member which has received notice pursuant to paragraph (b) shall provide the associated person prompt written acknowledgment of said notice and may, at its discretion, require the person to adhere to specified conditions in connection with his participation in the transaction.

Insigneo’s written supervisory procedures prohibited registered representatives from participating in private securities transactions. Insigneo further prohibited registered representatives from recommending to customers private placements that had not been approved by the firm.

In March 2021, Insigneo discovered that a firm registered representative participated in private securities transactions when he recommended that customers invest in a private placement offering that was not approved by the firm.² Following that discovery, in April 2021, the firm implemented a conditional exception to the firm's prohibition from participating in private securities transactions that applied only to the registered representative. The exception permitted him to sell private placements through the representative's unaffiliated investment advisor without providing the information required by FINRA Rule 3280, including prior written notice describing each transaction in detail, and without obtaining approval from the firm for each transaction.

During the period from April 2021 through January 2022, the registered representative sold securities associated with six private placements away from the firm without providing advance notice. The representative sold a total of \$9.75 million in the six private placements to 25 investors, eight of whom also were Insigneo customers. Insigneo did not conduct a contemporaneous review of the offerings or the investors who participated. Nor did the firm contemporaneously determine whether the representative obtained selling compensation that required Insigneo to record the transactions on its books and records pursuant to FINRA Rule 3280(c). Insigneo obtained information concerning the transactions and conducted reviews after FINRA staff inquired about the firm's supervision of the registered representative's activity.

Therefore, Insigneo violated FINRA Rules 3110 and 2010.

TRACE Violations

FINRA Rule 6730 sets out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. TRACE facilitates the mandatory reporting of over-the-counter transactions in eligible fixed income securities and provides increased price transparency to market participants and investors. Providing inaccurate information to TRACE, including reporting transactions that should not have been reported, affects the audit trail and can result in either false alerts or the inability to detect problematic transactions. A violation of FINRA Rule 6730 also constitutes a violation of FINRA Rule 2010.

From April 2022 through September 2023, Insigneo overreported, failed to report and inaccurately reported almost 10,000 executed customer transactions to TRACE. These reports constituted approximately 24% of the more than 40,000 TRACE reports the firm submitted during the same period.

Insigneo overreported and failed to report transactions to TRACE

FINRA Rule 6730(a) provides, in relevant part, that "[e]ach member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction." Rule 6730(a)(5)

² In February 2023, the representative, who had previously resigned from the firm July 1, 2022, was barred from associating with any FINRA member for violating FINRA Rules 8210 and 2010.

provides that members have an obligation to report to TRACE transaction information promptly, accurately, and completely.³

Insigneo reported 668 trades to TRACE that were not reportable. These transactions included 114 trades for a broker-dealer's customer that the firm incorrectly reported using its own MPID and 540 trades of foreign non-FINRA members that did not require reporting to TRACE. Insigneo also failed to report 20 eligible transactions to TRACE. As a result, Insigneo violated FINRA Rules 6730(a), (a)(5), and 2010.

Insigneo inaccurately reported transactions to TRACE

Rule 6730 identifies the specific types of information required to be included in trade reports submitted to TRACE, including information about price and the use of modifiers and indicators. FINRA Rule 6730(c)(6) provides that each TRACE trade report shall contain the "[c]ontra-party's identifier (MPID, customer, or a non-member affiliate, as applicable)."

FINRA Rule 6730(d)(4)(F) provides that "[w]here a trade report does not reflect either a commission, mark-up or mark-down" a member should "select the 'No Remuneration' indicator," subject to exceptions that do not apply here.

FINRA Rule 6730(d)(4)(E) requires member firms to append a Non-Member Affiliate – Principal Transaction (NMAPT) indicator when reporting a transaction with a non-member affiliate in which both the member and non-member affiliate act in a principal capacity, and the trade occurs on the same day, at the same price, and in the same security as a transaction by the member with another contra-party. Application of the NMAPT indicator denotes a principal transaction with a non-member affiliate also acting as principal and removes a trade from public dissemination.

Insigneo inaccurately reported 672 interdealer trades that Insigneo effected with another broker-dealer as customer trades and failed to identify that broker-dealer as the contra-party and provide its MPID in violation of FINRA Rule 6730(c)(6). Insigneo also violated Rule 6730(c)(6) by inaccurately reporting 1,487 trades with the contra-party identifier "C" for customer transactions, when it should have reported the transactions using identifier "A" for trades with a non-member affiliate.

Insigneo failed to include the No Remuneration indicator on 2,997 trades reported to TRACE where the trade report did not reflect a commission, mark-up or mark-down in violation of FINRA Rule 6730(d)(4)(F).

Insigneo both inaccurately reported 3,845 trades with non-member affiliates as trades with customers and failed to include the No Remuneration indicator where trade reports did not reflect a commission, mark-up or mark-down in violation of FINRA Rules 6730(c)(6) and (d)(4)(F).

³ Effective November 6, 2023, after the relevant period here, Rule 6730(a)(5) was renumbered as Rule 6730(a)(6).

Insigneo incorrectly reported 98 trades with non-member affiliates as trades with customers, failed to include the NMAPT indicator, and failed to include the No Remuneration indicator where the trade reports did not reflect a commission, mark-up or mark-down in violation of FINRA Rules 6730(c)(6), (d)(4)(E) and (d)(4)(F).

As a result, Insigneo violated FINRA Rules 6730(c)(6), (d)(4)(E) and (d)(4)(F), and 2010.

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

- a censure and
- an \$85,000 fine.

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.

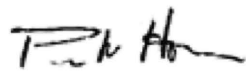
6/22/24
Date


Insigneo Securities, LLC
Respondent

Print Name: GERARD ANNETT

Title: GENERAL COUNSEL

Reviewed by:


Peter W. Homer
Counsel for Respondent
Homer Bonner
1200 Four Seasons Tower
1441 Brickell Avenue
Miami, FL 33131

Accepted by FINRA:

December 18, 2024

Date

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



Frank M. Weber
Senior Counsel
FINRA
Department of Enforcement
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