

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072581901**

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

RE: Avenue Securities LLC (Respondent)
Member Firm
CRD No. 292589

Pursuant to FINRA Rule 9216, Respondent Avenue 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

Avenue Securities LLC, which became a FINRA member in November 2018, provides self-directed trading through its online portal, primarily to retail customers who are Brazilian residents looking to invest in U.S. securities. The firm, which does not permit U.S. residents to open new accounts, is headquartered in Miami, Florida, and has approximately 40 registered representatives and one branch office.¹

OVERVIEW

From January 2020 through March 2023, Avenue Securities, through its affiliated companies, provided advertising materials and marketing to customers in Brazil. On behalf of Avenue and its affiliated companies, those affiliates paid individuals with followings on social media sites (commonly known as “influencers”) to promote the firm in social media communications. Avenue Securities, through its affiliates, assisted in providing guidance to influencers about how to promote the Avenue brand. The content of the social media communications influencers posted on the firm’s behalf was not fair and balanced or made claims that were promissory or misleading. Therefore, the firm violated FINRA Rules 2210(d)(1), 2210(g), and 2010.

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

From January 2020 through March 2023, Avenue Securities failed to have a registered principal review and approve influencers' static video content prior to posting, and the firm did not maintain records of influencers' communications related to the firm, or the dates they were used, in accordance with FINRA Rule 2210.² Additionally, from January 2020 through February 2021, the firm failed to review posts made by influencers in online interactive electronic forums. Therefore, the firm violated the Securities Exchange Act of 1934 Section 17(a), Exchange Act Rule 17a-4(b)(4), and FINRA Rules 2210(b), 4511, and 2010.

From January 2020 through March 2023, Avenue Securities failed to establish, maintain, and enforce a system, including WSPs, reasonably designed to supervise social media communications disseminated by influencers engaged to promote the firm and related recordkeeping requirements. Therefore, the firm violated FINRA 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA examination of firms' practices related to the acquisition of customers through social media channels.

1. Influencers' communications promoting Avenue Securities were not fair and balanced and included misleading and promissory statements.

FINRA Rule 2210 addresses FINRA member communications with the public and includes content standards that apply to all member communications, including retail communications. FINRA Rule 2210(a)(5) defines retail communication as any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

FINRA Rule 2210(d)(1)(A) requires that all member communications be based on principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for evaluating the facts regarding any particular security, industry, or service. In addition, no member may omit any material fact or qualification if the omission, considering the context of the material presented, would cause the communication to be misleading. FINRA Rule 2210(d)(1)(B) states that no member may make any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication. In addition, no member may publish, circulate, or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

FINRA Rule 2210(g) provides that "[a]ny violation by a member of any rule of the SEC . . . applicable to member communications will be deemed a violation of this Rule 2210." Rule 482(b)(1) under the Securities Act of 1933 requires that advertisements concerning securities of an investment company, such as an Exchange Traded Fund (ETF), "include a statement that advises an investor to consider the investment objectives, risks, and

² Static content refers to content that is typically posted for the longer term and lacks the immediacy of a real time conversation. See <https://www.finra.org/rules-guidance/key-topics/social-media>.

charges and expenses of the investment company carefully before investing; explains that the prospectus and, if available, the summary prospectus contain this and other information about the investment company; identifies a source from which an investor may obtain a prospectus and, if available, a summary prospectus; and states that the prospectus and, if available, the summary prospectus should be read carefully before investing.”

Violations of FINRA Rule 2210 also are violations of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

In Regulatory Notices 10-06 and 17-18, FINRA stated that third parties’ social media posts would constitute retail communications subject to FINRA Rule 2210 if a member firm either (1) paid for or was involved in the preparation of the content prior to posting (which FINRA referred to as “entanglement”) or (2) explicitly or implicitly endorsed or approved the content (which FINRA referred to as “adoption”). Regulatory Notice 17-18 also stated firms should clearly identify as advertisements any communications that take the form of comments or posts by influencers, as well as any other information required for compliance with FINRA Rule 2210.

From January 2020 through March 2023, Avenue Securities’ affiliate arranged with approximately 25 influencers, all of whom were based in Brazil, to promote the firm and its affiliated companies to potential retail investors in Brazil through social media platforms, including in static video posts and in online interactive electronic forums. Influencers were chosen to participate in Avenue’s influencer marketing program based on the relevance of the influencers’ social media content to the firm’s business. Avenue Securities’ foreign affiliate paid the influencers a fixed monthly fee for “content” that promoted the Avenue brand, including the firm’s products and services, on social media. Influencers were also provided a unique referral link, which allowed the firm to track the number of accounts opened by customers using the unique link associated with each influencer. During this same period, customers opened and funded more than 19,000 new accounts with the firm using the unique referral links that were provided to the influencers.

The influencers’ social media posts promoting the firm were retail communications of the firm and subject to FINRA Rule 2210. Pursuant to arrangements with the influencers, influencers were required to produce content promoting the Avenue brand, which included the firm’s services. One such arrangement required one of the influencers to create a series of posts relating to investing in the U.S. and specified that the content of the posts include topics such as “Starting to Build the Portfolio - Investing in the US” and “Types of Investment and how to adapt the 500 strategy.”³ The firm also provided to influencers “Conduct Rules,” which included guidelines for creating posts and examples of acceptable content—such as “With Avenue, when you invest \$1 in the North American market you may have the possibility of saving \$\$” or “Avenue makes it easy to start your [INVESTMENTS/LOANS/ETC.] in the North American market.”

³ The quotes included herein were translated from Portuguese to English for purposes of this AWC.

The influencers created social media posts promoting the firm and its affiliates that were not fair and balanced or contained claims that were promissory or misleading. For instance, in one video, an influencer encouraged viewers to invest in real estate investment trusts, stating, “they pay, yes, every month. It always pays a dividend.” Other posts similarly suggested that investments in certain securities would guarantee dividend income without disclosing the risks inherent in investing. The influencers also promoted investment in U.S. markets with the promise of investment success. For example, in one video, an influencer stated, “If you pray in English, your blessings come in dollar . . . And if you invest in the best stock exchange in the world, the returns too!” Other posts also used promissory and misleading hashtags, such as #GetRich, #Millionaire, or #ExtraIncome, that suggested investors would get wealthy or earn money from their investments. Several posts also promoted specific registered ETFs without including information and disclosures required by Securities Act Rule 482. Finally, some posts encouraged potential investors to purchase crypto assets but did not clearly explain the risks of the investment, including that investors could lose their entire investment amount.

Some of the influencers also described Avenue Securities as “free”, “completely free of charge”, or “zero fee” without disclosing that certain fees may apply or providing a prominent link to Avenue Securities’ fee schedule.⁴ Additionally, many of the influencers’ posts failed to clearly identify the communications as paid advertisements.

Therefore, Avenue Securities violated FINRA Rules 2210(d)(1), 2210(g) and 2010.

2. Avenue Securities failed to review and approve influencers’ posts about the firm and failed to preserve records of those posts.

FINRA Rule 2210(b)(1)(A) requires that an appropriately qualified registered principal of a member firm approve each retail communication before the earlier of its use or filing with FINRA’s Advertising Regulation Department.⁵

In addition, the Exchange Act, its accompanying rules, and FINRA rules require firms to preserve certain records related to retail communications. Exchange Act §17(a) requires every registered broker-dealer to “keep for prescribed periods such records . . . as the Commission, by rule, prescribes.” Exchange Act Rule 17a-4(b)(4) requires every registered broker-dealer to preserve for at least three years “all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public.” FINRA Rule 2210(b)(4)(A) requires that member firms maintain all retail communications for the

⁴ In Regulatory Notice 13-23, FINRA reminded firms that claiming or implying that accounts are “free” or “no fee” would generally be inconsistent with FINRA Rule 2210.

⁵ Rule 2210(b)(1)(D)(ii) excepts from this requirement retail communications posted in an online interactive electronic forum provided that the member supervises and reviews such communications in the same manner as required for supervising and reviewing correspondence pursuant to FINRA Rule 3110(b) and FINRA Rule 3110 Supplemental Material .06 through .09 (Rule 3110.06-Rule 3110.09).

period prescribed under the Exchange Act and maintain a record of, among other things: (i) the dates of first and last use of such communication; and (ii) the name of any registered principal who approved the communication and the date that approval was given. FINRA Rule 4511 requires member firms to “preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.”

A violation of the Exchange Act, Exchange Act Rules, and FINRA Rule 4511 also is a violation of FINRA Rule 2010.

From January 2020 through March 2023, Avenue Securities did not have a registered principal approve influencers’ static posts promoting the firm prior to use, nor did the firm maintain records of influencer communications or the dates the communications were used in accordance with FINRA Rule 2210. In addition, from January 2020 to February 2021, the firm did not review influencers’ posts made on behalf of the firm in online interactive electronic forums.

Therefore, Avenue Securities violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 2210(b), 4511, and 2010.

3. Avenue Securities failed to establish, maintain, and enforce a reasonably designed supervisory system, including WSPs, for influencers’ retail communications.

FINRA Rule 3110(a) requires each 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 rules. FINRA Rule 3110(b) requires each member firm 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. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

From January 2020 through March 2023, Avenue Securities did not establish, maintain, and enforce a system, including WSPs, reasonably designed to supervise retail communications posted by influencers engaged to promote the firm for compliance with FINRA Rules 2210(d)(1) and 2210(g). While the firm’s written policies and procedures required principal review and approval of retail communications, the procedures did not provide guidance about when influencer communications were retail communications of the firm. As a result, the firm did not require a principal to review and approve influencers’ static posts related to the firm prior to their publication, nor did they require review and supervision of influencers’ posts made on the firm’s behalf in online interactive electronic forums in the same manner as the firm reviewed and supervised correspondence, as required by FINRA Rules 2210(b)(1)(A) and (D). Further, during this period, the firm did not review influencers’ static posts prior to posting, nor did they reasonably supervise and review influencers’ posts made on the firm’s behalf in online interactive electronic forums. Further, Avenue Securities also did not establish or

maintain a supervisory system reasonably designed to preserve records related to the influencers' communications as required by Exchange Act Section 17(a), Exchange Act Rule 17a-4, and FINRA Rules 2210(b)(4) and 4511.

In March 2023, the firm revised its supervisory system to require a registered principal of the firm to review and approve influencers' social media content promoting the firm prior to use. At that time, the firm also implemented a system to preserve records of its review and approval of influencer communications promoting the firm.

By failing to establish, maintain, and enforce a system, including WSPs, reasonably designed to supervise its obligations with respect to its influencer's retail communications, Avenue Securities violated FINRA Rules 3110 and 2010.

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

- a censure
- a \$300,000 fine
- 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 2210 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 Leah Milbauer, Counsel, 99 High Street, Suite 900, Boston, MA 02110, leah.milbauer@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.

December 18, 2024

Date

Roberto Lee

Avenue Securities LLC
Respondent

Print Name: Roberto Lee

Title: ceo

Reviewed by:



Ethan Silver
Counsel for Respondent
Lowenstein Sandler
1251 Avenue of the Americas
New York, NY 10020

Accepted by FINRA:

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

January 22, 2025

Date



Leah Milbauer
Counsel
FINRA
Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110