FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073341601

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

RE: Moors & Cabot, Inc. (Respondent)
Member Firm
CRD No. 594

Pursuant to FINRA Rule 9216, Respondent Moors & Cabot, 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

Moors & Cabot, Inc. has been a FINRA member since 1936. Headquartered in Boston, Massachusetts, the firm employs 125 registered representatives in its 22 branch offices. The firm offers wealth management, financial planning, and investment advisory services.[1]

OVERVIEW

From at least January 2020 to May 2024, Moors & Cabot violated FINRA Rules 3310(a), 3310(f)(ii), and 2010 by failing to develop and implement an anti-money laundering (AML) compliance program reasonably expected to detect and cause the reporting of suspicious transactions, including transactions involving money movements, and to conduct ongoing monitoring to identify and report suspicious transactions.

In addition, between June 2020 and March 2023, Moors & Cabot failed to deliver Form CRS to 3,264 retail investors and failed to have a supervisory system reasonably designed to achieve compliance with its obligation to deliver Form CRS to such customers. As a

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

result, Moors & Cabot willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14, and violated FINRA Rules 3110 and 2010.

For these violations, the firm is censured and fined $125,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle examination of Moors & Cabot.

A. Moors & Cabot failed to establish and implement AML policies and procedures reasonably expected to detect and cause the reporting of suspicious activity, and to conduct ongoing monitoring to identify and report suspicious transactions.

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (BSA) and the implementing regulations promulgated by the Department of the Treasury. FINRA Rule 3310(a) requires each member firm to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. § 5318(g) and its implementing regulations. Under the implementing regulation, 31 C.F.R. § 1023.320, broker-dealers are required, in specified circumstances, to file with the Financial Crimes Enforcement Network (FinCEN) a suspicious activity report (SAR) for any suspicious transaction relevant to a possible violation of law or regulation. In addition, FINRA Rule 3310(f)(ii) requires, in relevant part, that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including conducting ongoing monitoring to identify and report suspicious transactions.

In May 2019, FINRA published Regulatory Notice (RN) 19-18, which reminded firms of their obligations to monitor for and report suspicious activity. The Notice also provided a non-exhaustive list of red flags suggestive of suspicious activity, including where a customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party without any apparent business purpose; where a customer engages in wire transfers that are unexplained, repetitive, unusually large, or show unusual patterns or have no apparent business purpose; or where a customer wishes to engage in transactions that lack business sense or an apparent investment strategy, or are inconsistent with the customer's stated business strategy. As explained in RN 19-18, "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a SAR filing may be warranted."

A violation of FINRA Rule 3310 is also a violation 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.

Throughout the relevant period, the firm frequently processed payments and deposits for its customers, including domestic and foreign wire transfers. Specifically, Moors & Cabot processed wire transfers, automatic clearing house and electronic funds transfers, and other transactions that totaled hundreds of millions of dollars annually.

From at least January 2020 to May 2024, Moors & Cabot's AML program was not reasonably designed, in light of the firm's business, to detect and cause the reporting of suspicious transactions. Between January 2020 and January 2023, the firm used an AML surveillance system that was not tailored to the risks posed by the frequent money movements by the firm's customers. The surveillance system failed to include any alerts for structuring or money movements other than outgoing wire transfers, even though the firm's money-movement volumes created risk for potential structuring or layering.[2] After FINRA alerted the firm to the issue in December 2022, the firm subsequently activated additional surveillance alerts to address the deficiencies.

In addition, from at least January 2020 to May 2024, the firm's AML policies, procedures, and review practices resulted in unreasonable reviews of the AML alerts generated by the firm's surveillance system. During the relevant period, the firm's policies and procedures required prompt reviews of AML alerts, but numerous alerts did not receive timely reviews and were left open for over a month. Further, once selected for review, the majority of the AML alerts were closed in a matter of seconds, without any apparent inquiry.

Moors & Cabot had notice of issues with its AML reviews. During the relevant period, the firm's independent AML testing identified concerns in multiple reports regarding insufficient and untimely AML reviews. Nevertheless, the firm failed to address the deficiencies identified in the AML testing.

The failure to reasonably review AML alerts resulted in multiple potentially suspicious money movements involving a firm customer—who transferred funds from a firm business account to a firm trust account, and then to a foreign currency exchange—receiving no apparent reviews after the transactions occurred to confirm the activity had a lawful business purpose.

In May 2024, Moors & Cabot revised its AML policies and procedures and provided updated guidance and training to firm personnel regarding the detection and reporting of suspicious transactions.

By failing to develop and implement an AML compliance program reasonably expected to detect and cause the reporting of suspicious transactions and to conduct ongoing monitoring to identify and report suspicious transactions, Respondent violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

[2] "Structuring" occurs when an individual "structures" deposits, withdrawals, or other financial transactions below the currency transaction reporting (CTR) threshold to evade CTR reporting requirements. "Layering" refers to a stage in the money-laundering process where individuals engage in a series of financial transactions (i.e., layers) to obscure the original source of their funds.

B. Moors & Cabot failed to deliver Form CRS to certain retail investors and failed to establish and maintain a supervisory system reasonably designed to comply with its obligation to deliver the form to investors.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include the requirement to prepare and deliver the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required "conversation starters" to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Exchange Act § 17(a)(1) requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems "necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of" the Exchange Act. Exchange Act Rule 17a-14—titled "Form CRS, for preparation, filing and delivery of Form CRS"—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm's public website.

FINRA Rule 3110 requires member firms and associated persons to establish, maintain, and enforce a supervisory system, including written procedures, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

A violation of Exchange Act § 17(a)(1), Exchange Act Rule 17a-14, or FINRA Rule 3110 also is a violation of FINRA Rule 2010.

From June 30, 2020, to March 2023, Moors & Cabot failed to deliver Form CRS to 3,264 retail customers. During this period, the firm's clearing firm delivered Form CRS to the firm's retail customers whose transactions it cleared. However, Moors & Cabot failed to deliver Form CRS to its retail customers whose transactions were not cleared through its clearing firm. During this period, the firm also failed to establish and maintain a supervisory system reasonably designed to comply with Form CRS requirements, and the firm conducted no supervisory reviews to confirm that the firm was meeting its Form CRS delivery requirements. The firm remediated this issue in March 2023 by providing Form CRS to the customers who had not previously received it and by implementing a new delivery system, including a tracker, for future delivery to customers who did not clear through the clearing firm.

By failing to deliver Form CRS to certain retail customers and by failing to establish and maintain a supervisory system reasonably designed to comply with Form CRS requirements, Moors & Cabot willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rules 3110 and 2010.

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

- a censure and
- a $125,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. FINRA's Finance Department will contact Respondent regarding payment. 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.

Respondent understands that this settlement includes a finding that it willfully violated Section 17(a)(1) and Rule 17a-14 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

The sanctions imposed in this AWC shall become 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.

08/20/2026
Date

Katherine R. Kelliher
Moors & Cabot, Inc.
Respondent

Print Name: Katherine R. Kelliher

Title: SVP & CCO

Reviewed by:

Michael Pastore

Michael Pastore, Esq.
Counsel for Respondent
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
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Accepted by FINRA:

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

08/24/2026

Date

Grant Hodges

Grant Thomas Hodges
Senior Counsel
FINRA
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