

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022075288901**

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

RE: International Research Securities, Inc. (Respondent)
Member Firm
CRD No. 19532

Pursuant to FINRA Rule 9216, Respondent International Research 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

International Research Securities, Inc. has been a FINRA member since 1987. The firm is headquartered in Dallas, Texas and employs ten registered representatives.¹

OVERVIEW

Between April 22, 2022, and September 30, 2022, International Research Securities conducted a securities business while failing to maintain the required minimum net capital. As a result, the firm violated §15(c) of the Securities Exchange Act of 1934, Exchange Act Rule 15c3-1, and FINRA Rules 4110 and 2010. Between April and August 2022, the firm also failed to maintain books and records reflecting an accurate computation of its aggregate indebtedness, required minimum net capital, and excess net capital, and it filed with FINRA an inaccurate Financial and Operational Combined Uniform Single (FOCUS) report. In addition, the firm filed late and inaccurate net capital-related notices with the SEC and FINRA between April and December 2022. As a result, International Research Securities violated Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11, and FINRA Rules 4511 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from a notification of net capital deficiency filed by the firm.

1. International Research Securities conducted a securities business while failing to maintain its required minimum net capital.

Exchange Act § 15(c) and Exchange Act Rule 15c3-1 require broker-dealers to maintain certain minimum levels of net capital. FINRA Rule 4110(b)(1) requires member firms to suspend all business operations during any period in which they are not in compliance with applicable net-capital requirements, as set forth in Exchange Act Rule 15c3-1. Violations of Exchange Act § 15(c), Exchange Act Rule 15c3-1, and FINRA Rule 4110 also are violations of FINRA Rule 2010, which requires members, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

On April 11, 2022, International Research Securities signed a loan agreement with the Small Business Administration for a loan of \$1,636,300. The loan was provided through the Economic Injury Disaster Loan (EIDL) program, which the federal government initiated in 2020 to assist small businesses because of the COVID-19 pandemic. The EIDL loan increased the firm’s aggregate indebtedness which, as a result, increased its required minimum net capital. The firm used most of the proceeds of the EIDL to purchase mutual funds, and it improperly subtracted the value of those mutual funds from its total aggregate indebtedness, which caused the firm to incorrectly calculate its minimum net capital requirement.

The firm’s net capital fell below the required minimum on April 22, 2022 and remained below it through September 30, 2022. International Research Securities conducted a securities business on 112 days during that period.

Therefore, the firm violated Exchange Act § 15(c), Exchange Act Rule 15c3-1, and FINRA Rules 4110 and 2010.

2. International Research Securities failed to make and preserve accurate records and filed an inaccurate FOCUS report and inaccurate and untimely notices related to its net capital.

Exchange Act § 17(a) and Exchange Act Rule 17a-3(a)(11) require broker-dealers to prepare aggregate indebtedness and net capital calculations “at least once a month.” Exchange Act § 17(a) and Exchange Act Rule 17a-5 require member firms to timely file FOCUS reports. Exchange Act § 17(a) and Exchange Act Rule 17a-11(a)(1) require broker-dealers whose net capital declines below the minimum amount to give “notice of such deficiency that same day” to the SEC and FINRA (Net Cap Deficiency Notice). Exchange Act § 17(a) and Exchange Act Rule 17a-11(b)(3) require broker-dealers whose net capital declines below 120 percent of their required minimum net capital to give prompt notice to FINRA and the SEC (Early Warning Notice).

FINRA Rule 4511 requires each member to make and preserve books and records in conformity with the Exchange Act and the applicable Exchange Act rules. Inherent in the obligation to make and preserve books and records is the requirement that they be accurate. Violations of Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11, and FINRA Rule 4511 also are violations of FINRA Rule 2010.

Between April 2022 and August 2022, International Research Securities improperly subtracted the value of mutual funds purchased with EIDL funds from its total aggregate indebtedness. This caused the firm to prepare and maintain inaccurate aggregate indebtedness, minimum required net capital, and excess net capital computations. During that period, the firm filed one FOCUS report that inaccurately stated the firm's aggregate indebtedness, required minimum net capital, and excess net capital.

Additionally, although International Research Securities' net capital fell below the required minimum on April 22, 2022, the firm did not file a Net Cap Deficiency Notice until May 24, 2022. That Net Cap Deficiency Notice inaccurately stated the firm's aggregate indebtedness, required minimum net capital, and net capital deficiency. The firm failed to file an accurate Net Cap Deficiency Notice until September 27, 2022. Further, between October 1, 2022, and December 31, 2022, the firm's net capital fell below 120 percent of its required minimum net capital. However, the firm failed to file an Early Warning Notice until January 26, 2023.

Therefore, Respondent violated Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11, and FINRA Rules 4511 and 2010.

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

- a censure
- a \$10,000 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.

April 13, 2023

Date

Michael Holland

International Research Securities, Inc.
Respondent

Print Name: Michael Holland

Title: President

Accepted by FINRA:

May 2, 2023

Date

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

Alexandra Boudreau

Alex Boudreau
Principal Counsel
FINRA
Department of Enforcement
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