

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Daniel Keith Beech
CRD No. 6169844,

Respondent.

Disciplinary Proceeding
No. 2022076391701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between May 2016 and at least January 2023 (the “Relevant Period”), Daniel Keith Beech improperly paid commissions of approximately \$900,000, directly and indirectly, to an unregistered person (“Individual A”), who was required to be registered at the time of the payments. Accordingly, Beech violated FINRA Rules 2040 and 2010.

RESPONDENT AND JURISDICTION

2. Beech first became registered with FINRA through an association with a FINRA member firm (“Firm One”) in November 2013. In December 2014, Beech left Firm One voluntarily. From December 2014 to April 2016, Beech was registered with FINRA through an association with another FINRA member firm (“Firm Two”). From May 2016 to March 2022, Beech was registered with FINRA through an association with Western International Securities, Inc. (CRD No. 39262) (“Western”). Since March 3, 2022, Beech has been registered with

FINRA through an association with Innovation Partners, LLC. (CRD No. 146344)

(“Innovation”).

3. Beech is subject to FINRA’s jurisdiction because he is currently registered with FINRA through a FINRA member firm.

FACTS

4. Beech first met Individual A in February 2013 when Individual A was a registered representative at Firm One. Beech, also a registered representative at Firm One, became Individual A’s sales assistant.

5. Beginning in November 2013, Beech and Individual A had a joint billing code at Firm One, enabling Beech to receive commissions for making securities recommendations to certain of Individual A’s clients. At that time, Beech paid 75 percent of any commissions he earned to Individual A.

6. Individual A’s clientele, at all relevant times, largely consisted of Farsi-speaking customers who listened to Individual A’s Farsi-language radio and television shows. Beech did not and does not speak Farsi.

7. In April 2014, Individual A moved to Firm Two. In December 2014, Beech followed Individual A to Firm Two to continue working as Individual A’s sales assistant.

8. In December 2015, pursuant to a Letter of Acceptance, Waiver, and Consent, FINRA fined and suspended Individual A for trading in a customer’s account away from his member firm in violation of NASD and FINRA rules.

9. Individual A’s suspension ran from January 4, 2016 to March 3, 2016.

10. By Forms U5 dated April 29, 2016, Firm Two terminated Individual A's and Beech's registrations with FINRA, disclosing that they had voluntarily resigned from Firm Two effective April 29, 2016.

11. Individual A never re-associated with a FINRA member.

12. Since 1999, Individual A has also been a registered investment adviser.

13. In April 2016, while registered with Firm Two, Beech entered into an agreement with Individual A's registered investment advisory firm to purchase Individual A's book of business ("the Purchase Agreement"). According to its terms, the Purchase Agreement was dated April 15, 2016, and became effective May 1, 2016.

14. No FINRA member firm reviewed, approved, or was a party to the Purchase Agreement.

15. The Purchase Agreement required Beech to pay Individual A's advisory firm \$10,000 up front and thereafter 75 percent of commissions Beech earned from transactions in certain customer accounts for ten years and 25 percent of commissions for an additional five years. The Purchase Agreement was scheduled to end in 2031.

16. After his departure from Firm Two, Beech registered with FINRA through an association with Western on May 10, 2016.

17. When Beech joined Western, he expected that Individual A would continue to provide customer support to the customers who were the subject of the Purchase Agreement, including by answering customers' questions about specific securities investments and facilitating Beech's communication with customers by translating from English into Farsi and vice-versa.

18. From May 2016 to at least January 2023, Beech paid directly or indirectly to Individual A approximately \$900,000 in commissions received from securities transactions via personal check, wire, or cashier's checks.

19. Beech did not provide notice to, or receive permission from, any FINRA member firm before making payments directly or indirectly to Individual A.

20. In addition to receiving transaction-based compensation from Beech, Individual A, with Beech's knowledge, engaged in the following conduct during the Relevant Period:

- a. Individual A solicited new brokerage customers, including through his Farsi-language radio and television shows, that Individual A then directed to Beech for transactions;
- b. Individual A attended Beech's meetings and telephone calls with Beech's brokerage customers;
- c. Individual A met independently with Beech's brokerage customers to discuss specific securities investments to be made through Beech;
- d. For certain customers, Individual A made securities recommendations without the involvement of Beech; and
- e. Individual A maintained customer records for the brokerage customers who were the subject of the Purchase Agreement for Beech to access in servicing those customers.

21. On April 30, 2023, Beech and Individual A signed an agreement, titled Rescind and Terminate Agreement, ending the Purchase Agreement.

CAUSE OF ACTION
Payments to an Unregistered Person
Violation of FINRA Rules 2040 and 2010

22. The Department of Enforcement realleges and incorporates by reference the paragraphs above.

23. FINRA Rule 2040(a) provides in relevant part that “[n]o ... associated person shall, directly or indirectly, pay any compensation, fees, concessions, discounts, commissions or other allowances to: (1) any person that is not registered as a broker-dealer under Section 15(a) of the Exchange Act but, by reason of receipt of any such payments and the activities related thereto, is required to be so registered under applicable federal securities laws and SEA rules and regulations.”

24. FINRA Rule 2010 requires FINRA member firms and their associated persons to, in the conduct of their business, observe “high standards of commercial honor and just and equitable principles of trade.”

25. A violation of FINRA Rule 2040 constitutes a violation of FINRA Rule 2010.

26. During the Relevant Period, Individual A solicited new brokerage customers for Beech, attended meetings and telephone calls with Beech and his brokerage customers, independently met with Beech’s brokerage customers to discuss securities investments to be made through Beech, made securities recommendations to certain of Beech’s brokerage customers, maintained customer records for certain of Beech’s brokerage customers, and received commissions from securities transactions conducted in brokerage accounts. By engaging in this conduct, Individual A was required to be registered pursuant to Section 15(a) of the Securities Exchange Act of 1934.

27. By paying approximately \$900,000 of his securities commissions directly and indirectly to Individual A, an unregistered person, during the Relevant Period, Beech violated FINRA Rules 2040 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Beech committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Beech bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: December 18, 2023

Richard Cella

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