

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077030601**

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

RE: Builder Advisor Group, LLC (Respondent)
Member Firm
CRD No. 156515

Pursuant to FINRA Rule 9216, Respondent Builder Advisor Group, 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

Builder Advisor Group has been a FINRA member since 2012. The firm is headquartered in Corte Madera, CA and has eight registered representatives. The firm is a specialized broker-dealer that provides investment banking, M&A advisory, and capital raising services to institutional customers.

OVERVIEW

From January 2020 through January 2024, Builder Advisor Group failed to establish and implement procedures reasonably designed to identify and verify the identities of the beneficial owners of its legal entity customers at the time of new client engagements, in violation of FINRA Rules 3310(b) and 2010. The firm also failed to conduct independent testing of its anti-money laundering (AML) compliance program that was required before the end of 2022, in violation of FINRA Rules 3310(c) and 2010. The firm has consented to the imposition of a censure and a \$30,000 fine.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination of the firm.

FINRA Rule 3310 requires member firms 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 implementing regulations promulgated by the U.S. Department of the Treasury. FINRA Rule 3310(b) further requires firms' AML programs to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the BSA and its implementing regulations.

The BSA and its implementing regulations require broker-dealers to establish and maintain written procedures reasonably designed to identify and verify the identity of beneficial owners of legal entity customers and to include such customer due diligence procedures in their AML programs.¹ Broker-dealers must obtain the names, dates of birth, addresses, and identification numbers of their legal entity customers' beneficial owners from the individual opening the account on behalf of the legal entity customer at the time a new account is opened, as well as a certification with respect to the accuracy of that information from the individual.² Broker-dealers may rely on the identifying information about beneficial owners that they obtain in accordance with this requirement, provided they have no knowledge of facts that would reasonably call into question the reliability of such information.

For verification of beneficial owners of legal entity customers, broker-dealers' procedures must contain the same elements required for verifying individual customers under the Customer Identification Program regulation.³ Broker-dealers must also establish procedures for making and maintaining a record of all information obtained under their beneficial owner identity verification procedures. Such records must include, for identification, any identifying information obtained; and for verification, a description of any document relied on, of any non-documentary methods and the results of any measures undertaken, and of the resolution of each substantive discrepancy.

FINRA Rule 3310(c) requires that member firms "[p]rovide for annual (on a calendar year basis) independent testing for compliance to be conducted by member personnel or by a qualified outside party, unless the member does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such 'independent testing' is required every two years (on a calendar-year basis)."

A violation of FINRA Rule 3310 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.

¹ See 31 C.F.R. § 1010.230. For purposes of these requirements, a beneficial owner is defined to include each individual directly or indirectly owning 25 percent or more of the equity interests of the customer plus a single individual with significant responsibility to control, manage, or direct the customer, such as an executive officer or senior manager; and legal entity customers are defined to exclude certain categories of legal entities, including, for example, SEC-registered investment advisers and investment companies.

² See 31 C.F.R. § 1010.230(b)(1).

³ See 31 C.F.R. § 1010.230(b)(2).

From January 2020 through January 2024, the firm failed to establish and implement procedures reasonably designed to identify and verify the identities of the beneficial owners of its legal entity customers. The firm's procedures had no explicit guidance for identifying and verifying the identities of beneficial owners at the time of new client engagements. As a result, the firm did not obtain certifications for the accuracy of beneficial owner information as required and failed to record the non-documentary methods it used to verify the identities of some beneficial owners.

In February 2024, the firm implemented the use of a "New Client Onboarding Checklist," and in March 2024 published new written supervisory procedures, which provided revised guidance on conducting identification and verification of beneficial owners at the time of new client engagements.⁴ The updated procedures and checklist mandate the collection of all information and verification required by 31 C.F.R. § 1010.230, including a certification regarding beneficial owners of legal entity customers and a record of all non-documentary methods used.

By failing to implement procedures reasonably designed to identify and verify the identities of beneficial owners of legal entity customers from January 2020 through January 2024, Respondent violated FINRA Rules 3310(b) and 2010.

The firm conducted an independent test of its AML program in 2020 but conducted no independent test in 2021 or 2022. Therefore, Respondent violated FINRA Rules 3310(c) and 2010.

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

- a censure and
- a \$30,000 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.

⁴ The firm retroactively applied the use of the New Client Onboarding Checklist to all customers who signed new engagement letters in or after January 2024.

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 prejudice 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:

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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 20, 2024

Date

Anthony Avila

Builder Advisor Group
Respondent

Anthony Avila
Print Name: _____

CEO
Title: _____

Reviewed by:

Christian D. Schultz

Christian Schultz
Counsel for Respondent
Arnold & Porter
601 Massachusetts Ave., NW
Washington, DC 20001-3743

Accepted by FINRA:

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

December 24, 2024

Date

Alex Wynne

Alex Wynne
Counsel
FINRA
Department of Enforcement
1601 Market Street, Suite 2700
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