

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

Department of Enforcement,

Complainant,

v.

Michael Cheng Ning
CRD No. 1229733,

Respondent.

Disciplinary Proceeding
No. 2024081111301

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In November and December 2024, Respondent Michael Cheng Ning, in his capacity as custodian of records for former member firm Arque Capital, Ltd., failed to respond to requests for documents and information that FINRA made pursuant to FINRA Rules 4570(b) and 8210 as part of FINRA's investigation into whether certain securities recommendations by the firm's registered representatives to customers of two former Arque Capital registered representatives were in the best interests of their customers. As a result, Ning violated FINRA Rules 4570(b), 8210, and 2010.

RESPONDENT AND JURISDICTION

2. Ning entered the securities industry in 1987 and was associated with various member firms between 1987 and June 16, 2023. In December 2005, Ning registered with FINRA through his association with member firm Quantum Leap Securities, LLC. In July 2006, Quantum Leap Securities, LLC was succeeded in interest by Arque Capital, a company that Ning incorporated

in California in November 2005. Ning has been the President and CEO of Arque Capital since July 2006.

3. Ning was registered with FINRA as a General Securities Principal and General Securities Representative in 2005, an Investment Banking Representative in 2010, an Operations Professional in 2011, and an Investment Banking Principal in 2018.

4. On June 16, 2023, Arque Capital filed a Uniform Notice for Securities Industry Registration (“Form U5”), terminating Ning’s registrations with FINRA.

5. That same day, June 16, 2023, Arque Capital filed a Uniform Request for Withdrawal from Broker-Dealer Registration (“Form BDW”) withdrawing its FINRA registration, which went into effect on August 17, 2023.

6. At the time Arque Capital filed its Form BDW, Ning was the President, CEO, and an owner and control person of the firm.

7. Although Ning is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because: (1) the Complaint was filed within two years after June 16, 2023, which was the effective date of termination of Respondent’s registration with Arque Capital; and (2) the Complaint charges Ning with failing to respond to FINRA’s request for documents and information during the two-year period after the date on which he ceased to be registered with a FINRA member.

FACTS

8. On March 20, 2024, in connection with FINRA’s investigation into whether certain securities recommendations by the firm’s registered representatives to customers of two former Arque Capital registered representatives were in the best interests of their customers, FINRA

staff sent a Rule 8210 Request to Arque Capital's then-custodian of records. That same day, and in response to this request, Ning contacted FINRA staff and affirmed his awareness of the Rule 8210 Request and stated that he was now the sole point of contact for the firm.

9. On March 29, 2024, Ning, on behalf of Arque Capital, filed an amended Form BDW and Custodian Consent Form with FINRA, naming Ning as the new custodian of records for Arque Capital. Ning signed both the amended Form BDW and Custodian Consent Form as the President and CEO of Arque Capital.

10. On April 8, 2024, after Ning became the custodian of records for Arque Capital, Enforcement formally withdrew its March 20, 2024 Rule 8210 Request.

11. On November 4, 2024, as part of the same investigation, FINRA sent a request for documents and information pursuant to FINRA Rules 4570 and 8210 ("First Request") to Ning, in his capacity as the designated custodian of records for Arque Capital, by first-class mail and certified mail to the address listed for Ning in CRD ("Ning's CRD Address").

12. On November 4, 2024, FINRA also sent a courtesy copy of the First Request to Ning by email.

13. In the First Request, FINRA asked Ning, in his capacity as the designated custodian of records for Arque Capital, to provide documents regarding certain identified securities, and the firm's recommendations of, and communications regarding, those securities to specified customers of two former Arque Capital registered representatives, among other things.

14. The documents and information FINRA sought in its First Request were books and records that Arque Capital was required to retain under Section 17(a)(1) of the Securities Exchange Act of 1934 and FINRA rules for a period of no less than three or six years.

15. The first-class mailing of the First Request was not returned.

16. The certified mailing of the First Request was marked as “[d]elivered” and signed for by Ning on November 12, 2024.

17. Ning’s response to the First Request was due on November 19, 2024.

18. Ning did not provide any of the documents or information FINRA requested in response to the First Request, nor did he respond in any manner to the First Request.

19. On December 5, 2024, after Ning did not respond to the First Request, FINRA sent Ning, in his capacity as the designated custodian of records for Arque Capital, a second request for documents and information pursuant to FINRA Rules 4570 and 8210 (“Second Request”) by first-class mail and certified mail to Ning’s CRD Address.

20. FINRA also sent a courtesy copy of the Second Request to Ning by email.

21. The documents and information requested in the Second Request were identical to those requested in the First Request.

22. The first-class mailing of the Second Request was not returned.

23. The certified mailing of the Second Request was marked as “[d]elivered” and signed for by Ning on December 11, 2024.

24. Ning’s response to the Second Request was due on December 20, 2024.

25. Ning did not provide any of the documents or information FINRA requested in response to the First or Second Request or respond to the requests in any way.

26. The documents and information FINRA requested were material to FINRA’s investigation because they directly related to recommendations of certain identified securities by the firm’s registered representatives to specified customers of two former Arque Capital registered representatives, whether those securities were in the customers’ best interest, and

whether those individuals and/or the firm violated any securities laws, regulations, or FINRA rules.

FIRST CAUSE OF ACTION
Failure to Provide Documents and Information
(Violation of FINRA Rule 8210 and 2010)

27. The Department of Enforcement realleges and incorporates by reference all prior paragraphs.

28. FINRA Rule 8210(a)(1) provides that for the purpose of an investigation, complaint, examination, or proceeding authorized by the FINRA By-Laws or rules, FINRA staff shall have the right to require any member or person subject to FINRA’s jurisdiction to “provide information orally, in writing, or electronically ... with respect to any matter involved in the investigation, complaint, examination, or proceeding.”

29. FINRA Rule 8210(a)(2) provides that FINRA may “inspect and copy the books, records, and accounts of such member or person with respect to any matter involved in the investigation, complaint, examination, or proceeding that is in such member’s or person’s possession, custody, or control.”

30. FINRA Rule 8210(c) provides that “[n]o member or person shall fail to provide information ... pursuant to this Rule.”

31. FINRA Rule 8210(d) specifies that notice under Rule 8210 shall be deemed received by a currently or formerly registered person to whom it is directed by mailing or otherwise transmitting the notice to the last known residential address of the person as reflected in FINRA’s Central Registration Depository (“CRD”).

32. A violation of FINRA Rule 8210 is also a violation of FINRA Rule 2010, which requires associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

33. As alleged above, on November 4, 2024, FINRA staff properly served Ning, in his capacity as the designated custodian of records for Arque Capital, with the First Request. FINRA staff also properly served Ning, in his capacity as the designated custodian of records for Arque Capital, with the Second Request that contained substantively identical requests, on December 5, 2024. Ning has not provided any of the requested information or documents contained in these two requests nor has he responded in any manner to the requests.

34. The documents and information FINRA staff sought from Ning, in his capacity as the designated custodian of records for Arque Capital, were material to FINRA’s investigation.

35. Ning’s failure to provide the requested documents and information has impeded and delayed FINRA’s investigation.

36. As a result, Ning violated FINRA Rules 8210 and 2010.

SECOND CAUSE OF ACTION
Firm Custodian’s Failure to Provide Requested Records
(Violation of FINRA Rule 4570(b) and 2010)

37. The Department of Enforcement realleges and incorporates by reference all prior paragraphs.

38. FINRA Rule 4570(a) provides, in pertinent part, that “[a] member that files a Form BDW shall designate on the Form BDW, as the custodian of the member’s books and records...a person associated with the member at the time that the Form BDW is filed.”

39. Pursuant to FINRA Rule 4570(b), “[t]he custodian designated on the Form BDW shall preserve the books and records of the member that filed the Form BDW for the remainder

of the applicable retention periods under FINRA and Exchange Act rules and make such records available for inspection by FINRA upon request.”

40. A violation of FINRA Rule 4570(b) is also a violation of FINRA Rule 2010.

41. The documents Enforcement sought from Ning were books and records of Arque Capital required to be preserved under FINRA and Exchange Act rules.

42. On March 29, 2024, Ning, on behalf of Arque Capital, filed an amended Form BDW with FINRA naming himself as the designated custodian of records for the firm under Rule 4570(a).

43. As the designated custodian of records for Arque Capital at the time FINRA issued the First and Second Requests seeking firm records, Ning was required to make the requested records available to FINRA upon request.

44. As alleged above, FINRA properly served Ning, in his capacity as the designated custodian of records for Arque Capital, with the First and Second Requests.

45. Ning received both the First and Second Requests, in his capacity as custodian of records for Arque Capital.

46. To date, Ning has failed to make the requested records available to FINRA staff upon receipt of the requests.

47. As a result, Ning violated FINRA Rules 4570(b) and 2010.

RELIEF REQUESTED

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

- A. make findings of fact and conclusions of law that Respondent 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 Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: June 4, 2025



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