

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

INTEGRITY BROKERAGE SERVICES, INC.
(CRD No. 117589),

and

JOSHUA HELMLE
(CRD No. 2195760)

Respondents.

Disciplinary Proceeding
No. 2018056436001

Hearing Officer–LOM

**EXTENDED HEARING
PANEL DECISION**

July 23, 2021

For four years, Respondent Joshua Helmle and the brokerage firm that he owned and operated, Respondent Integrity Brokerage Services, Inc., improperly allowed a person subject to a statutory disqualification to associate with the firm and to act as an unregistered representative. For this misconduct, Helmle is barred from associating with any FINRA member firm in any capacity and the firm is ordered to pay a fine of \$44,938.

Appearances

For the Complainant: Andrew Boldt, Esq., Robert Miller, Esq., and John Luburic, Esq.,
Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent Integrity Brokerage Services, Inc.: David Wong, as the corporate
representative

For the individual Respondent, Joshua Helmle: *pro se*

DECISION

I. Introduction

A. Respondents

Respondents are Joshua Helmle and Integrity Brokerage Services, Inc., the California securities brokerage firm he founded, owned, and operated for nearly 20 years, until he sold it in August of 2020. The firm is now owned by David Wong and operates under the name Integrity Brokerage, LLC. Under either name, the firm has operated under the same Central Registration Depository (“CRD”) number and is referred to here as “IBS” or the “Firm.”

B. Charges

The Department of Enforcement charges that from February 2016 through April 2020 Helmle and IBS improperly allowed a person named Marc Jaffe to associate with the Firm when he was subject to a statutory disqualification. In addition, Enforcement charges that, although Jaffe was unregistered, Helmle and IBS improperly allowed him to engage in activities that required registration.

C. Core Facts

1. Jaffe Is Subject to a Statutory Disqualification

Jaffe had been a registered representative with various brokerage firms until 2015, when he was terminated from Finance 500, the firm with which he was then registered. This was not long after he settled charges that he willfully failed to disclose tax liens on his Form U4 (the Uniform Application for Securities Industry Registration or Transfer). Pursuant to the settlement, he was suspended for three months, from mid-October to mid-December 2015, and fined. Because he agreed to a finding that he acted willfully, he is subject to a statutory disqualification.

2. Helmle Wants a Share of the Revenues from Jaffe’s Business for IBS

Jaffe wanted to continue working with his customers after his suspension was over but, after his termination by Finance 500, he needed to find a new firm to do that. He had a \$1.2 million book of business, which was more than double IBS’s gross annual revenues. Helmle invited Jaffe to register with IBS because he wanted a share of the revenues generated by Jaffe.

3. FINRA Repeatedly Warns Helmle That Jaffe Is Prohibited from Associating with IBS

Helmle first tried to register Jaffe with IBS in mid-December 2015. He claims he did not know at that time that Jaffe was ineligible to be registered. Toward the end of December, FINRA staff informed Helmle by letter that Jaffe was subject to a statutory disqualification and could not associate with the Firm unless and until FINRA gave written permission.

After the first warning that Jaffe could not associate with the Firm without FINRA's approval, the Firm submitted a Membership Continuance Application ("MC-400 Application") in March 2016 seeking permission for Jaffe to associate with IBS as a general securities representative. But, in November 2016, FINRA's Department of Member Regulation informed Helmle that it was recommending that the MC-400 Application be denied, in part because the Firm was already improperly allowing Jaffe to associate with it without the required approval while the Application was pending. In May 2017, the National Adjudicatory Council ("NAC") issued a formal FINRA decision denying the MC-400 Application. The NAC found that the Firm had improperly allowed Jaffe to associate with it. In December 2018, FINRA staff completed a cycle examination of IBS and issued a report to Helmle that the Firm was not in compliance because it was continuing to allow Jaffe to associate with it despite his statutory disqualification.

The Complaint charges that, despite these clear directives from their regulator, Helmle and IBS continued to allow Jaffe to associate with the Firm at least through April 22, 2020, when the Complaint was filed.

4. Helmle and IBS Evade the Prohibition

Helmle ignored the initial warning from FINRA in December 2015 that Jaffe was prohibited from associating with IBS and implemented a plan to evade the prohibition. In December 2015, around the time that Helmle first tried to register Jaffe, IBS hired Jaffe's close business associate, Andrea Wood, as a General Securities Representative, along with three other members of Jaffe's staff. With Jaffe's staff, IBS opened an Indianapolis, Indiana branch office inside the same suite of offices in which Jaffe had for years conducted his securities business.

Before joining IBS, Wood had served Jaffe primarily in an administrative role. The first ten years she worked for Jaffe, she was his administrative assistant. In 2002, while she and Jaffe were working for another FINRA member firm, she became a registered representative because she was entering orders for him.

Helmle hoped to share indirectly in Jaffe's securities business by associating with Wood. Helmle knew that Wood could not sustain Jaffe's securities business without Jaffe, so he allowed her to continue working with Jaffe through an entity she created called Woodgroup, LLC ("Woodgroup"). In early 2016, Woodgroup retained Jaffe as a purported independent contractor with the title of research analyst.

Although Jaffe was called a research analyst under his agreement with Woodgroup, not much changed in how Jaffe and Wood conducted their business. Jaffe continued advising customers about their investments, and Wood arranged meetings and telephone calls with customers for Jaffe. Jaffe had an IBS email address, as did Wood. When Wood used her IBS email address, she used Jaffe's d/b/a entity for his securities business, Jaffe Financial Services Inc. ("JFSI"), in her signature block. Jaffe continued working in the same suite of offices with Wood, and the branding for his entity, JFSI, remained on the signage at the entry to the office suite. Jaffe's entity, JFSI, held the lease on the office suite and paid the payroll for the IBS

branch office staff—including Wood. Jaffe considered the office *his* office that he allowed IBS to use.

Wood's compensation was essentially flat, around \$80,000, or slightly less than \$7,000 per month. In contrast, Jaffe's compensation for his work as her analyst started out in 2016 at \$15,000 per month, later rose to \$19,600 per month, and, as of April 1, 2018, increased to nearly \$30,000 per month. The difference in their compensation reflected that it was Jaffe who generated the business and Wood who assisted him.

Helmle knew how Jaffe and Wood conducted their business. He was consulted when the idea was developed for Jaffe to become Wood's research analyst, and he reviewed documents used to create the new relationship between Jaffe and Wood.

Helmle also oversaw Wood's work with Jaffe. He gave her contradictory guidance regarding Jaffe's role. He purported to limit what Jaffe could do, but he also told Wood that she could include Jaffe in meetings she had with customers and that Jaffe could talk to customers about the market generally, the economy, and "company specific information." From his review of IBS emails, Helmle knew that Jaffe was talking to customers about securities and their portfolios, and often not even in Wood's presence. After the NAC decision denying the MC-400 Application for Jaffe to associate with the Firm, Helmle suggested to Wood that Jaffe's communications with customers who were "friends" be channeled through Jaffe's personal email account without copying Wood—in effect concealing Jaffe's communications with customers from regulatory scrutiny.

More than six months after the NAC decision denying the MC-400 application, Helmle and Wood together wrote a letter to customers to inform them that "for now" Jaffe would not be their official registered representative. Instead, Wood would be their "acting registered representative." At the same time, the letter reassured customers that Jaffe was still generating investment ideas for them and Wood was still providing "excellent and timely customer service." The letter promised that customers could request time with Jaffe to discuss the stock market, economic issues, and "company specific information." Helmle and Wood described the changes after the MC-400 decision as "semantics." The letter obscured the true nature of the situation—FINRA had denied the approval necessary for Jaffe to speak to the Firm's customers about securities and their portfolios.

Customers continued to see Jaffe as their broker, not Wood. The Firm's new owner, Wong, commented that even today the customers "still think Jaffe is their rep." As Helmle conceded, the Indianapolis branch's securities business would probably have ended if Jaffe had not continued communicating with customers.

D. Violations Found and Sanctions Imposed

Based on these and other facts discussed below, we conclude that Enforcement proved the charges in the two causes of action. During the period covered by the Complaint, Helmle and IBS allowed Jaffe to associate with the Firm when he was subject to a statutory disqualification

and allowed Jaffe to engage in the Firm's securities business in a manner that required him to be registered when he was not. We further find that the misconduct continued after the Complaint was filed and after Wong became owner of the Firm. This is an aggravating factor considered in the context of sanctions.

We impose sanctions on both Helmle and the Firm. Helmle is barred from associating with any FINRA member firm in any capacity as a unitary sanction for both violations. The violations arise out of the same misconduct. The Firm is ordered to pay a unitary fine of \$44,938. Respondents are also ordered to pay costs, for which each bears half the responsibility.

II. Findings and Conclusions

A. Procedural History

1. Complaint and Resolution of Charges Against Jaffe and Wood

Enforcement commenced this proceeding with the filing of a Complaint on April 22, 2020. The Complaint originally named Jaffe and Wood as Respondents, as well as Helmle and the Firm. The First Cause of Action charged Jaffe with associating with the Firm while subject to a statutory disqualification. The Second Cause charged him with acting in a registered capacity while he was unregistered. The Fifth Cause charged Wood with permitting and enabling a statutorily disqualified and unregistered person to associate with a member firm and conduct a securities business. Jaffe and Wood settled the claims against them before the hearing. Jaffe agreed to be barred; Wood agreed to a one-year suspension and a fine of \$15,000. The Orders accepting their offers of settlement are in the record.

The only remaining charges are those against Helmle and the Firm. The Third Cause of Action charges them with allowing Jaffe to associate with the Firm when he was subject to a statutory disqualification. The Fourth Cause charges them with allowing him to function as a registered representative when he was unregistered. Helmle and the Firm deny that Jaffe was ever associated with IBS or acted in a capacity that required registration.

2. Hearing

Due to the COVID-19 pandemic, and by agreement of the parties, the hearing was conducted by videoconference. It was held on February 3–5 and February 8–9, 2021. A court reporter transcribed the proceeding. An Extended Hearing Panel composed of the Hearing Officer and two industry panel members heard and viewed the evidence at the hearing and reviewed the evidence afterward in deliberating and formulating this decision. Helmle and the Firm's new owner, Wong, both testified, along with Jaffe, Wood, and two FINRA staff

members, Syreeta Jutla and Michael Hegeman.¹ No customers testified, but there were numerous customer emails in the exhibits.²

3. Post-Hearing Briefs

Post-hearing briefs were permitted. On March 26, 2021, Enforcement and Wong, on behalf of the Firm, timely filed post-hearing briefs.³ Helmle filed no post-hearing brief.

B. Background

1. Helmle and IBS

Helmle was associated with various member firms starting in 1991 until he founded and became associated with IBS on October 1, 2001.⁴ Helmle described IBS as a “one-man firm.”⁵ He was the Firm’s Chief Compliance Officer (“CCO”), Financial Operations Principal (“FinOp”), Chief Financial Officer (“CFO”), and Chief Executive Officer (“CEO”) for most of the period covered by the Complaint, from February 2016 through April 2020.⁶ IBS’s office was then in Oceanside, California.⁷

When IBS submitted its MC-400 Application in March 2016 to associate Jaffe with the Firm, it represented that it employed 11 registered representatives and three registered principals.

¹ The hearing testimony is referred to with the abbreviation for transcript “Tr.” followed by the witness’s last name in parentheses and then the identifying pages. For example, Helmle’s testimony is cited “Tr. (Helmle) 348-52.”

² Exhibits are identified by a prefix (CX for Complainant’s exhibits and RX for a Respondent’s exhibit) and a unique document number. For example, the document containing Jaffe’s consent to the finding of a willful violation (the Letter of Acceptance, Waiver, and Consent) is cited as “CX-1.”

In discussing customer emails in this decision, we use the customers’ initials rather than their names, which is consistent with the practice of the Office of Hearing Officers when citing to customer testimony.

³ Enforcement’s brief is cited as “Enf. Post-Hr’g Br.” and the Firm’s is cited as “IBS Post-Hr’g Br.”

⁴ CX-86, at 6-10; Tr. (Helmle) 88-90.

⁵ Tr. (Helmle) 86.

⁶ Tr. (Helmle) 85-87; CX-86, at 5. While the MC-400 Application was pending, Helmle engaged in negotiations to sell the Firm. On March 24, 2017, before the NAC decision denying the MC-400 Application in May, Helmle signed a letter of agreement to sell the Firm to two individuals. Tr. 413-18; CX-29, at 4. FINRA later granted the continuing member application for the change in ownership, and the transaction closed on December 29, 2017. CX-58; Tr. (Helmle) 441. One of the buyers joined the management team; the other was a passive owner. Helmle remained with the Firm as a registered representative. CX-69, at 8. He bought the Firm back on May 1, 2018. Tr. (Helmle) 423-29, 439-45; CX-45; CX-46; CX-57; CX-58, at 1, 3. On May 1, 2018, the Firm filed a Form BD Amendment showing Helmle as the CEO, FinOp, CCO, and CFO. CX-69, at 8. At the time the 2018 cycle examination of the Firm was completed, Helmle owned and operated the Firm. Tr. (Helmle) 446-47; CX-76.

As discussed below, about a year and a half after buying the Firm back, in December 2019, Helmle discussed with Wong his potential purchase of the Firm. Wong began studying to qualify as a principal, and, after passing the Series 24 examination, Wong became the record owner at the beginning of August 2020.

⁷ Tr. (Helmle) 115-17; CX-69; CX-108, at 1.

It then listed two Offices of Supervisory Jurisdiction (“OSJs”): its main office in California and its new Indianapolis branch office.⁸

Prior to the events at issue, the Firm had modest success. For the audit year ending December 31, 2015, IBS had total revenues of \$464,535. Its net income that year was \$125,379.⁹ The Firm is what is sometimes referred to as a “nickel” firm. It has a \$5,000 net capital requirement.¹⁰

2. Wong and IBS

Wong began talking with Helmle about buying IBS around Thanksgiving of 2019, and a stock purchase agreement dated December 20, 2019, was drawn up.¹¹ Wong had no retail brokerage experience. He had worked as a wholesaler on various transactions, most of which were structured as Regulation D private placements.¹² Before completing his purchase of IBS, Wong had to qualify as a principal by passing the Series 24 exam. He joined IBS on April 3, 2020, so the Firm could be his sponsor for taking the exam,¹³ and he passed the exam on May 13, 2020.¹⁴ FINRA approved the change in ownership, and Wong closed on his purchase of IBS. On August 3, 2020, a little more than three months after the filing of the Complaint, the Firm filed a Form BD amendment naming Wong the owner and president of the Firm and changing the Firm’s CRD address to Monterey Park, California.¹⁵ Wong continued to study for the Series 65 examination in August 2020.¹⁶

Because he was studying, and because of his lack of retail brokerage experience, even after the purchase closed, Wong still relied on Helmle. “I relied on Mr. Helmle,” Wong said, “because this was his firm. He knew how to do this.”¹⁷ Helmle remained the Firm’s CCO, FinOp, and CFO from August 2020 until he left the Firm on December 17, 2020.¹⁸

From the filing of the Firm’s initial response to the Complaint on May 20, 2020, and the filing of its amended answer on June 9, 2020, until at least mid-November 2020, Helmle

⁸ Compl. Ex. A (NAC Decision), at 12; CX-18.

⁹ CX-8, at 7.

¹⁰ CX-103, at 1; Tr. (Wong) 1178-79.

¹¹ Tr. (Wong) 1169-70; CX-107.

¹² Tr. (Wong) 1168-69.

¹³ Tr. (Wong) 1225, 1229, 1173-74.

¹⁴ CX-115, at 18; Tr. (Wong) 1228-31.

¹⁵ CX-108.

¹⁶ Tr. (Wong) 1173-74, 1202.

¹⁷ Tr. (Wong) 1173.

¹⁸ Tr. (Helmle) 85-87.

represented the Firm in this proceeding.¹⁹ Wong retained an attorney who represented the Firm from the end of November until late January 2021.²⁰ After that, Wong was the Firm's representative, and he appeared on its behalf at the hearing.²¹

Helmle argues that the charges are no longer relevant to the Firm and it would be unfair to impose any sanction on it because the Firm has a new owner.²² Helmle claims that the Firm charged in the Complaint no longer exists.²³ Essentially, Helmle contends that he was the Firm during the period covered by the Complaint, and that it is a different firm now that it is owned by Wong.²⁴

Similarly, Wong speaks of a "brand new broker/dealer."²⁵ He points out that the name of the Firm in the caption is Integrity Brokerage Services, Inc. He said, "[That] implied, at least to myself that Joshua Helmle is tied to those accusations, not myself."²⁶ "I had a different corporate name," Wong emphasizes: "Integrity Brokerage Services LLC."²⁷ Wong also argues that sanctioning the Firm would place his investment at risk by unduly threatening the Firm's viability and its arrangement with its clearing firm.²⁸ These and other arguments regarding the Firm will be discussed later, after the context necessary to understand them has been provided.

3. Jaffe

Jaffe was first registered with a securities broker-dealer on October 1, 1991, and he continued to be a registered representative with various firms for more than 20 years. By 2015

¹⁹ Tr. (Wong) 1175; Order to Show Cause Why Respondent Integrity Brokerage Services, Inc. Should Not Be Held in Default (Nov. 24, 2020) ("Show Cause Order"); Order Granting Motion by Respondent Integrity Brokerage Services, Inc. to Postpone the Hearing, and Granting in Part and Denying in Part Other Requested Relief (Dec. 23, 2020) ("Order Granting IBS Motion to Postpone Hearing"); Transcript of Pre-Hearing Conference ("PHC Tr.") (Dec. 2, 2020) 42-43.

²⁰ Notice of Appearance of Counsel on Behalf of Respondent Integrity Brokerage, LLC (Nov. 25, 2020); Order Granting Motion to Withdraw by Attorney for Respondent Integrity Brokerage Services, Inc. (Jan. 22, 2021).

²¹ Notice of Appearance (Feb. 1, 2021).

²² Tr. (Helmle closing) 1318 ("I think it speaks again to the unethical nature of FINRA and how they operate . . . to try to throw a person who just purchased the firm under a truck." To talk about a big fine "for someone who had absolutely nothing to do with the situation considering it's one man firm going to another one man firm, it's really unethical and despicable."); 1321 ("The last man standing is Mr. Wong, he's now standing holding a bag of crap that he had nothing to do with."); 1323 ("Now the bag is being held by someone who wasn't even a party to any of this.").

²³ PHC Tr. (Nov. 18, 2020) 19.

²⁴ Tr. (Helmle closing) 1314, 1318.

²⁵ Tr. (Wong opening) 52.

²⁶ Tr. (Wong) 1248-49.

²⁷ Tr. (Wong) 1249.

²⁸ IBS Post-Hr'g Br. Sections 3 and 4; Tr. (Wong) 1166, 1325.

and during the events relevant here, Jaffe had clients with whom he had worked for years.²⁹ He considered many of them personal friends.³⁰

In 2004, Jaffe formed JFSI as the d/b/a entity for his securities business, and in January 2005 JFSI began renting an office suite on 96th Street in Indianapolis. Jaffe conducted his securities business from the 96th Street office suite for the next ten years.³¹

Jaffe claimed at the hearing that at one point in his career he had a book of business of at least \$800 million³² and he made \$2 million or more a year.³³ When Helmle gathered background information on Jaffe, Jaffe told him that his current production was approximately \$1.2 million per year,³⁴ which was more than double IBS's 2015 gross revenues of \$464,535.³⁵

In 2015, Jaffe was registered with Finance 500, Inc. He reported taxable income of about \$500,000 from his work at the broker-dealer and roughly another \$100,000 from its advisory affiliate.³⁶ Jaffe's yield from his securities business substantially outstripped Helmle's from IBS's securities business. As noted above, IBS had net revenues in 2015 of a little over \$125,000.³⁷

Finance 500 was the last broker-dealer with which Jaffe was registered. It terminated him in September 2015, about three weeks after Jaffe settled the charge that he had failed to disclose tax liens on his Form U4, as discussed below.³⁸ When it terminated him, Finance 500 noted on Jaffe's Form U5 (the Uniform Termination Notice for Securities Industry Registration) that it was investigating potential improper commission sharing. Finance 500 suspected that one of Jaffe's associates had improperly transferred commissions to Jaffe by depositing them in his d/b/a/ entity, JFSI, which may have allowed him to share in commissions earned in states where he was not registered.³⁹

²⁹ Tr. (Jaffe) 497-99; CX-88.

³⁰ Tr. (Jaffe) 532-33, 546-50.

³¹ Tr. (Wood) 880-82, 885.

³² Tr. (Jaffe) 497-98.

³³ Tr. (Jaffe) 614-16.

³⁴ Tr. (Helmle) 149; CX-2, at 3.

³⁵ CX-8, at 7.

³⁶ CX-9; Tr. (Jaffe) 507.

³⁷ CX-8, at 7.

³⁸ Tr. (Jaffe) 502-03; CX-1, at 6; CX-88, at 2.

³⁹ CX-88, at 2.

4. Wood

From 1985 to 1991, Wood worked as a cashier at Merrill Lynch.⁴⁰ She moved from Arizona to Indiana in 1991 and transferred to Merrill Lynch's Indianapolis office, where she met Jaffe.⁴¹ Wood initially started working with Jaffe as his administrative assistant.⁴² When he moved from Merrill Lynch to Morgan Stanley, she moved with him in her same role.⁴³ Wood and Jaffe have worked together most of Jaffe's career, as they moved from firm to firm together.⁴⁴ His clients knew Wood very well.⁴⁵

In 2002, while at Morgan Stanley, Wood became a registered representative. She did so because she was entering trades at Jaffe's direction.⁴⁶ Jaffe never entered trades for himself in his entire career.⁴⁷ As a registered representative, Wood dealt with some clients' accounts—mostly clients who were located in states where Jaffe was not registered.⁴⁸ The buy and sell recommendations she made to these clients were based on information Jaffe provided her.⁴⁹

Wood worked with Jaffe at Finance 500. When it terminated Jaffe in 2015, it also terminated Wood. Her record in CRD shows she was the associate at Finance 500 suspected of improperly sharing commissions with Jaffe.⁵⁰

C. Jurisdiction

FINRA has jurisdiction to bring this proceeding against Helmle, even though his registration terminated when he left IBS in December 2020. He was associated with IBS, a FINRA member firm, and registered through it at the time of the alleged misconduct and at the time that Enforcement filed the Complaint on April 22, 2020. Under Article V, Section 4(b) of FINRA's By-Laws, FINRA retains jurisdiction over a registered person for two years after the termination, revocation, or cancellation of that person's registration if the complaint is based on alleged misconduct that occurred while the person was associated with a FINRA member firm.

⁴⁰ Tr. (Wood) 874; CX-87.

⁴¹ Tr. (Wood) 879-80.

⁴² Tr. (Wood) 879-80.

⁴³ Tr. (Wood) 880.

⁴⁴ Tr. (Jaffe) 499-500.

⁴⁵ Tr. (Jaffe) 513; Tr. (Wood) 880-82.

⁴⁶ Tr. (Wood) 880-81; CX-87, at 4, 6.

⁴⁷ Tr. (Jaffe) 588, 645.

⁴⁸ Tr. (Wood) 883-84.

⁴⁹ Tr. (Wood) 884.

⁵⁰ CX-87, at 3.

FINRA also has jurisdiction to bring this proceeding against IBS, under Article IV, Section 6 of FINRA's By-Laws. IBS is a FINRA member, and the Complaint charges it with misconduct committed during its period of membership.

Helmle began arguing in November 2020, shortly before the originally scheduled hearing in December, that the Firm named in the Complaint no longer exists. He asserted in pre-hearing conferences that it was unfair to continue to pursue the Firm now that Wong is the owner.⁵¹ Helmle continued to argue at the hearing against sanctioning the Firm now that Wong owns it.⁵² Similarly, Wong claimed at the hearing that his understanding was that the entity named in the Complaint was separate from his entity and that the charges in the Complaint only affected Helmle and the company he owned.⁵³ Wong said, "I ha[ve] a different corporate name. I [am] a new owner. I . . . assum[ed] that any claims against the firm would be tied to Mr. Helmle and not come over to me."⁵⁴ Wong further argued in the Firm's post-hearing brief, "Noteworthy is the fact that the old broker dealer name was being used on all correspondence [relating to this proceeding]. . . . [S]eeing the old broker dealer named on documents implies the subject is exactly just that, and is the concern of the previous owner."⁵⁵ To the extent these are arguments about jurisdiction, they are incorrect.

Jurisdiction over a FINRA member firm does not end when ownership is transferred to someone new, as Helmle must have known. He signed a FINRA firm membership agreement dated June 22, 2018, on behalf of IBS that specifically provided that the agreement would "remain in effect and bind the Firm *and all of its successors to ownership* or control."⁵⁶

The record here demonstrates that the parties to the purchase agreement understood that FINRA oversight and jurisdiction would continue after the transfer of ownership. The stock purchase agreement that Wong and Helmle signed conditioned the closing on Helmle's continued maintenance of the company's registration and licensing with FINRA.⁵⁷ Wong only closed on the purchase of IBS after completing the process for obtaining FINRA's approval of

⁵¹ PHC Tr. (Nov. 18, 2020) 19-24 (Helmle asserting that his company is "a dead entity" and "does not exist anymore," and that he did not have authority to speak for "the other entity"); PHC Tr. (Dec. 2, 2020) 55-59 (Helmle arguing that it is unfair to continue to bring charges against the Firm because it is a new entity with a new owner).

⁵² Tr. (Helmle closing) 1321-23.

⁵³ Tr. (Wong) 64-65, 1244-49, 1253-55.

⁵⁴ Tr. (Wong) 1249. *See also* Tr. (Wong opening statement) 64-65; IBS Post-Hr'g Br. Section 2.

⁵⁵ IBS Post-Hr'g Br. Section 2.

⁵⁶ CX-103, at 1 (emphasis supplied). In support of his argument that this proceeding does not apply to the Firm under his ownership, Wong points out that his signature does not appear on the FINRA membership agreement that is in evidence. He seems to suggest that the membership agreement signed by Helmle only binds Helmle and the Firm under Helmle's ownership. IBS Post-Hr'g Br. Section 5. In light of the Firm's regulatory filings both before and after Wong completed his purchase, the suggestion is without substance.

⁵⁷ CX-107, at 1-2.

the change in ownership, after which it filed a Form BD amendment on August 3, 2020, recording the change of ownership.⁵⁸

The Form BD amendment that IBS filed on August 3, 2020, shows the change in ownership to Wong but the continuation of operation under the same CRD number and the same name—Integrity Brokerage Services, Inc. This Form BD further provides, “The successor assumes all liabilities and assets.”⁵⁹ Helmle filed this Form BD naming Wong a successor to the ownership of IBS, but at the hearing Helmle called it a “mistake.”⁶⁰ The August 3 Form BD amendment also discloses an ongoing regulatory proceeding—this proceeding—against the applicant, treating Helmle’s entity and Wong’s entity as one.⁶¹ Similarly, the Form BD reports regulatory action taken against Helmle’s entity in 2007, long before Wong’s entity existed.⁶² If Wong’s entity were separate from Helmle’s, that disclosure would have been irrelevant.

Wong spoke at the hearing of “ownership changing hands,”⁶³ not the creation of a new entity. He also spoke of his current effort to “put together accurate books and records,” which he described as “a continuation from Mr. Helmle.”⁶⁴ Wong did not go through the process of applying for new membership for a new entity, as he acknowledged at the hearing, although he claimed it was a mistake that he hoped to correct.⁶⁵ Rather, Wong purchased the Firm with all its assets and liabilities, subject to FINRA’s approval and oversight.

FINRA jurisdiction also does not end when there is a change in corporate structure. On August 20, 2020, the Firm filed another Form BD amendment showing the change in name from a California S corporation called Integrity Brokerage Services, Inc. to a partnership called Integrity Brokerage LLC. Wong remained the owner. The Firm still used the same CRD number, which signifies a continuation of FINRA’s jurisdiction and oversight.⁶⁶

D. Origin of Proceeding

The proceeding arose from an investigation into Jaffe’s activities and a routine examination of IBS, both of which evolved into an investigation of whether Jaffe was associating with the Firm. Two FINRA staff members reviewed many emails and other documents and

⁵⁸ CX-108.

⁵⁹ CX-108, at 1, 9.

⁶⁰ Tr. (Helmle) 93, 109.

⁶¹ CX-108, at 5-6, 14-15.

⁶² CX-108, at 12.

⁶³ Tr. (Wong) 1174.

⁶⁴ Tr. (Wong) 1180-81.

⁶⁵ Tr. (Wong) 1192-94.

⁶⁶ CX-109, at 1, 8; Tr. (Wong) 1192-94.

interviewed some IBS customers. The two staff members both concluded that Jaffe was potentially associating with IBS even though he was subject to a statutory disqualification.

The emails and customer interviews establish that, during the Complaint period, Jaffe regularly discussed securities with IBS customers and the customers considered him their registered representative. The emails and interviews cast Wood in the role of administrative assistant.

1. Hegeman

Michael Hegeman is a principal investigator in Member Supervision. He worked on an exam involving Jaffe's potential improper commission sharing with Wood after Jaffe was terminated by Finance 500 in September 2015. His work later evolved into an investigation of whether Jaffe was associating with IBS.⁶⁷

Hegeman obtained and reviewed emails to and from an IBS email account that Helmler assigned to Jaffe in December 2015, when Helmler thought Jaffe would be registered with IBS, as well as Wood's IBS email account.⁶⁸ Hegeman's review of the emails showed that Jaffe was having contact with customers of the Firm. "I don't think it ever stopped," Hegeman said.⁶⁹

For example, customer JG emailed Wood and Jaffe on January 7, 2016, to let them know he had sent \$50,000 to them for investment. He attached a memo addressed to Jaffe summarizing the status of his and his wife's accounts and suggesting new stocks for investment.⁷⁰ This was in preparation for a conference with Jaffe the following week, when, JG said, "I will explain Nike when we speak with Marc [Jaffe]."⁷¹ JG's emails with Wood and Jaffe in February and June 2016 refer to more conversations with Jaffe about investments in JG's accounts. Some of the conversations were about specific securities transactions. On June 28, 2016, JG wrote to Wood, "Please confirm Marc [Jaffe] said he would find a way to buy some Valient "VRX" in the sales of Goldman Sachs and Alibaba in the J&D joint account in addition to buying Facebook with Alibaba in [JG's] IRA."⁷²

Hegeman had telephone conversations with several customers. What he learned confirmed that Jaffe was having frequent contact with customers and that he was discussing securities with them. It also confirmed that customers thought of Wood as an administrative assistant.

⁶⁷ Tr. (Hegeman) 668-72.

⁶⁸ Tr. (Hegeman) 676-81.

⁶⁹ Tr. (Hegeman) 673-81.

⁷⁰ CX-12, at 1-2.

⁷¹ CX-12, at 1.

⁷² CX-12, at 6-7.

Hegeman talked to customer EB on October 5, 2016. EB told Hegeman that he spoke to Jaffe by telephone every two weeks or so about securities and that he met with Jaffe in person every three months. EB thought that Wood handled administrative matters for Jaffe. She did not recommend securities to him.⁷³ Hegeman had a similar conversation with JG on October 11, 2016. JG said that he spoke with Jaffe every four to six weeks, when they discussed the pros and cons of stock ideas and Jaffe made stock recommendations.⁷⁴ EB and JG were having these conversations with Jaffe while the MC-400 Application was pending.⁷⁵

Even though, as discussed below, Jaffe had an analyst contract with Woodgroup and not IBS, Hegeman concluded that Jaffe may have been associating with IBS. Hegeman noted that Jaffe was coming into the office three or four times a week for several hours at a time, so he was physically present in the Firm's branch office. He also noted that emails showed that Jaffe was issuing instructions to branch office personnel to do things related to securities transactions.⁷⁶

Hegeman's email review showed that Jaffe regularly emailed Wood with information for her to provide to customers, which she did. Essentially, she was a conduit for Jaffe's communications with customers. In questioning Hegeman, Helmle emphasized that Wood was *not* the Firm.⁷⁷ Helmle argues that Jaffe's association with Wood was not the same as an association with the Firm.⁷⁸ Hegeman pointed out that customers could perceive Wood as acting for the Firm.⁷⁹ She was a registered representative of the Firm.⁸⁰

2. Jutla

Syreeta Jutla is an associate principal examiner who conducts routine cycle examinations.⁸¹ She was the lead examiner on a 2018 cycle examination of IBS.⁸² When she noticed that Jaffe was physically present at the Firm's Indiana branch office, she began taking

⁷³ Tr. (Hegeman) 682-83, 686-89.

⁷⁴ Tr. (Hegeman) 689-94.

⁷⁵ Tr. (Hegeman) 694.

⁷⁶ Tr. (Hegeman) 700-01.

⁷⁷ Tr. (Hegeman) 704-12.

⁷⁸ Tr. (Helmle) 255; Tr. (Helmle closing) 1314-16.

⁷⁹ Tr. (Hegeman) 704-12.

⁸⁰ CX-87.

⁸¹ Tr. (Jutla) 738-39.

⁸² Tr. (Jutla) 748-49.

additional steps to review what his connection was.⁸³ Among other things, she sought copies of emails to or from Wood that related to Jaffe and his contacts with IBS customers.⁸⁴

Jutla reviewed numerous emails from both her examination and Hegeman's. The emails revealed that Jaffe was continually discussing securities portfolios, strategies, and transactions with IBS customers. She made a chart excerpting from more than 70 emails to or from Wood that concerned meetings and telephone calls with Jaffe, and noting from trade records securities transactions that occurred around the time Jaffe had discussions with customers.⁸⁵ The chart begins with an email dated January 7, 2016, and continues to an email dated October 17, 2018, with a gap from November 2016 to May 2017.⁸⁶ The gap represents the span of time between the end of Hegeman's examination and the beginning of Jutla's.⁸⁷

Almost all the emails Jutla noted in her review involve Wood setting up or rescheduling appointments for IBS customers with Jaffe. Wood served as an intermediary between IBS customers and Jaffe: they asked about Jaffe's availability and she gave them feedback on times and dates they could speak to him. The remaining emails in the compilation between customers and Wood consist of administrative matters regarding the signing of forms and the like.⁸⁸

A typical email from a client (JG) to Wood reads, "[My wife] and I would like to schedule a call with Marc [Jaffe] possibly this week Thursday or Friday [2/26/16] or early next week Monday or Tuesday."⁸⁹ A typical email from Wood to a client (RK) reads, "Would any of the following dates/times work for a phone call with Marc [Jaffe]: [suggested dates and times in June and July 2016]."⁹⁰ Customers sought both telephone conferences and in-person meetings with Jaffe. One customer, SD, wrote in January 2016, "Andrea [Wood], can Marc [Jaffe] come to my office around 4 for the meeting. If not we can reschedule for next week."⁹¹ In March 2016, another customer (FK) sought to confirm an in-person meeting with Jaffe "in his office"—referring to Jaffe's office—and wanted to know if the 96th Street address was the correct address. Wood confirmed that it was.⁹² Customer RVP wrote Wood an email in September 2017, months after the NAC denied the MC-400 Application to permit Jaffe to associate with the Firm,

⁸³ Tr. (Jutla) 749-50.

⁸⁴ Tr. (Jutla) 750, 754-55.

⁸⁵ Tr. (Jutla) 754-55, 764, 771-78; CX-83.

⁸⁶ CX-83; Tr. (Jutla) 757-58.

⁸⁷ Tr. (Jutla) 785.

⁸⁸ CX-83.

⁸⁹ CX-83, at 1.

⁹⁰ CX-83, at 3.

⁹¹ CX-83, at 1.

⁹² CX-83, at 1.

asking her to schedule a meeting with Jaffe.⁹³ When customer MO could not take a scheduled call from Jaffe, he wrote Wood on September 25, 2018, over a year after the NAC decision, “Please let Marc [Jaffe] know that I had to get on a work meeting at 2 PM so could not answer his call. / I will try to call back after this meeting.”⁹⁴ The last email in the compilation, dated October 17, 2018, was from JG, discussing a possible meeting with Jaffe on October 24, 2018.⁹⁵

According to Jutla, “pretty much every month” there were emails that referenced meetings with Jaffe and brokerage customers, which concerned her.⁹⁶ She contacted some of the customers and wrote summaries of her conversations with them.⁹⁷ Her conversations with customers were similar to Hegeman’s conversations with customers. Customer CG told Jutla that Jaffe developed the strategy for her investments and called her monthly to discuss them. Wood coordinated the calls but did not usually participate.⁹⁸ Customer RVP said he spoke to Jaffe once a month and that Wood was only sometimes on their calls.⁹⁹ Customer MP said he and his wife talked to Jaffe over the telephone every couple of weeks and met with him in person four or five times per year. Jaffe talked about strategy and made securities recommendations. Sometimes Wood participated; sometimes others did. MP characterized all the others in the Indianapolis office, including Wood, as Jaffe’s assistants.¹⁰⁰

E. Events Relevant to Misconduct Alleged in Complaint

1. Jaffe Settles Charges That He Willfully Failed to Disclose Tax Liens and Is Suspended

In late August 2015, Jaffe signed an offer of settlement agreeing to findings that he had failed to timely disclose multiple federal and state tax liens that arose between 2008 and 2011, which FINRA accepted (the Letter of Acceptance Waiver and Consent or “AWC”). In the AWC, Jaffe consented to a \$15,000 fine and a 60-day suspension from association with any FINRA member in any capacity. He specifically acknowledged that he was barred from associating with a FINRA member in any capacity, including clerical or ministerial, during the suspension. By signing the document, Jaffe also specifically stated that he understood that the AWC included a finding that he had willfully failed to disclose a material fact on his Form U4, and as a

⁹³ CX-50, at 1.

⁹⁴ CX-83, at 6.

⁹⁵ CX-83, at 6.

⁹⁶ Tr. (Jutla) 786-87.

⁹⁷ Tr. (Jutla) 787-88; CX-75.

⁹⁸ Tr. (Jutla) 793-95; CX-75.

⁹⁹ CX-75, at 3.

¹⁰⁰ CX-75, at 3.

consequence he was subject to a statutory disqualification with respect to association with a member.¹⁰¹ Jaffe's suspension ran from September 21, 2015, to December 14, 2015.¹⁰²

Between Jaffe's signing of the AWC and the beginning of his suspension, his firm, Finance 500, terminated him and Wood.¹⁰³ This disrupted Jaffe's plans. He had expected when he signed the offer of settlement that Finance 500 would support his re-entry into the securities business when his suspension was over.¹⁰⁴ If he wanted to re-enter the business, he needed to find a new firm.

2. Helmle Takes Initial Steps to Retain Jaffe and His Securities Business

a. Helmle Attempts to Register Jaffe with IBS

Helmle learned from a business acquaintance that Jaffe was a big producer at Finance 500, so he spoke to Jaffe about joining IBS. Helmle wanted a share of Jaffe's business.¹⁰⁵ On November 30, 2015, Jaffe filled out and signed an IBS profile questionnaire, from which Helmle learned about Jaffe's suspension. From the questionnaire, Helmle knew that the last date of Jaffe's suspension was December 14, 2015.¹⁰⁶

While Jaffe was still suspended, Helmle continued the process of bringing him on board at IBS. On December 9 and 11, 2015, Jaffe and Helmle countersigned an IBS Independent Contractor and Registered Representative Agreement. Under the agreement, IBS agreed to act as the broker-dealer for securities transactions that Jaffe might place, buy, or sell. The schedule of commissions and fees attached to the agreement provided, among other things, that Jaffe would receive 85 percent of the commissions earned and received by the Firm from his clients' transactions.¹⁰⁷

After Jaffe's suspension was over, IBS filed a Form U4 on December 18, 2015, to register him with IBS.¹⁰⁸ The Form U4 disclosed that Jaffe had been found by a self-regulatory organization to have willfully violated a federal securities law.¹⁰⁹ A person who worked for Helmle in California in compliance, Michael Weston, was the Firm's designated signatory on the

¹⁰¹ CX-1.

¹⁰² CX-2.

¹⁰³ CX-87; CX-88.

¹⁰⁴ Tr. (Wood) 888-89.

¹⁰⁵ Tr. (Helmle) 125.

¹⁰⁶ Tr. (Helmle) 125-30; CX-2.

¹⁰⁷ CX-3.

¹⁰⁸ CX-4, at 1.

¹⁰⁹ CX-4, at 11, 72.

document.¹¹⁰ It is unclear whether anyone involved recognized the significance of the willfulness finding or knew the appropriate way to address it. Helmle testified that neither he nor Jaffe realized that Jaffe was disqualified.¹¹¹

b. IBS Opens Its Indianapolis Branch Office in Jaffe's Offices with Jaffe's Staff

IBS opened its Indianapolis branch office in December 2015 in Jaffe's suite of offices with Jaffe's staff. At the same time that Helmle attempted to register Jaffe, the Firm filed a Form U4 to register Wood.¹¹² Three other staff who had previously worked with Jaffe and Wood at Finance 500 also joined the IBS branch office: John Compton, Sarah Stewart, and Kati Hill. Wood and the others had been employees of Jaffe's d/b/a entity, JFSI, and, as discussed below, JFSI continued to issue their paychecks and W-2s after they joined IBS. Compton was the supervisor of the IBS branch office from December 2015 until July 2017, when, as discussed below, Helmle took over supervisory responsibility.¹¹³

Sometime in December 2015, Helmle gave IBS email addresses to Wood, Jaffe, and the other staff at the Indianapolis branch. Wood began circulating the new email addresses to clients.¹¹⁴ Helmle said giving out email addresses was part of the standard process of bringing a new representative on board.¹¹⁵

3. FINRA Tells Helmle That Jaffe Must Cease Associating with the Firm

In a letter dated December 28, 2015, that was sent by email and certified mail to Helmle, FINRA staff informed him that "a person associated with your firm, Mr. Jaffe, is subject to a disqualification" as defined in the Securities Exchange Act. The letter instructed that "Jaffe must immediately cease all activities related to his association with [IBS] unless and until approved in an Eligibility Proceeding." That approval had to be in writing from FINRA, the letter further explained. It directed the Firm to request approval for Jaffe to associate with it by making an MC-400 Application. The letter set January 15, 2016, as the deadline for doing so. Jaffe was copied on the letter and thereby put on notice that he could not associate with IBS until the Firm obtained written approval.¹¹⁶

¹¹⁰ Tr. (Helmle) 196; CX-4, at 15; CX-21.

¹¹¹ Tr. (Helmle) 141.

¹¹² CX-87, at 2, 7; CX-88, at 8.

¹¹³ Tr. (Helmle) 119-21, 214-17; Tr. (Wood) 890-91; CX-18, at 4-5; CX-40.

¹¹⁴ CX-6.

¹¹⁵ Tr. (Helmle) 185, 190.

¹¹⁶ CX-5.

Helmle called Jaffe when he got the letter because he was “shocked.”¹¹⁷ Regardless of whether Helmle knew Jaffe was statutorily disqualified before the attempt to register Jaffe with IBS, Helmle was clearly informed by the staff’s late-December 2015 letter that Jaffe could not associate with the Firm without FINRA’s written approval. Helmle admitted that he knew from the letter that Jaffe could not engage in any activities related to his association with IBS.¹¹⁸

4. Helmle Implements a Plan for Allowing Jaffe to Continue Operating His Securities Business Through IBS

a. The Plan Is for Wood to Become a Conduit for Jaffe’s Stock Recommendations

After learning that IBS would have to file an MC-400 Application to make him eligible to register with it, and that he and IBS would then have to wait for written approval, Jaffe immediately began working on a plan to enable him to continue working with his clients. That plan was for Wood to become a conduit for Jaffe to convey his stock recommendations to customers.

On December 30, 2015, Weston, the compliance person who worked for Helmle in California, exchanged emails with Jaffe and his lawyer about a plan for Wood to set up an entity for the securities business and for her entity to make some type of contractual arrangement with Jaffe’s entity, JFSI. Helmle was copied on at least one of the emails and was involved in discussions about the structure of the arrangement.¹¹⁹

By March 2016, a plan had developed for Jaffe to serve as a research analyst for Wood. He would make recommendations for stocks to buy and sell that Wood could communicate to clients. The idea was discussed in a string of emails dated March 24, 2016, that included Jaffe, his lawyer, and Compton, who was serving as the supervisor of the Indianapolis branch office. The lawyer warned that Jaffe’s compensation should be a flat fee and not a percentage of Wood’s commissions.¹²⁰

Helmle had conversations with both Wood and Jaffe about the arrangement prior to execution of the documents,¹²¹ and he understood how the arrangement was going to be

¹¹⁷ Tr. (Helmle) 184.

¹¹⁸ Tr. (Helmle) 184.

¹¹⁹ Tr. (Helmle) 195-201; Tr. (Jaffe) 511; CX-7; CX-21.

¹²⁰ Tr. (Jaffe) 516-21; CX-19.

¹²¹ Tr. (Helmle) 205-06, 210; Tr. (Jaffe) 526.

structured.¹²² Helmle testified that he also advised Wood that payments to Jaffe had to be in the form of a fixed fee and could not fluctuate with Wood's commissions.¹²³

b. Helmle Knows Wood Cannot Maintain Jaffe's Business Without Jaffe

On the surface, the plan was for Wood to take over from Jaffe the role of advising clients about securities and their portfolios. However, everyone involved understood that activities like recommending stocks and analyzing the securities markets were, as Helmle said, "a little out of her wheelhouse."¹²⁴

Wood's "strength," Helmle said, "was not stock selection, stock picking, timing and markets."¹²⁵ Rather, her strength was customer service:

[Y]ou never have seen anyone as good as [Wood] in terms of servicing, taking care of compliance, service, being honest, getting back to people, working six days a week. I mean she was awesome. The fact that she didn't have the skill set to pick stocks and to talk about the markets with clients, is why she hired [Jaffe] to do that.¹²⁶

According to Helmle, Wood needed Jaffe's stock picks and investment ideas to manage the securities business going forward.¹²⁷ Wood "unfortunately had zero, even though she is extremely bright, she had zero self[-]confidence when it came to stock selection," he testified. "[T]hat is why she needed to work with someone like [Jaffe]."¹²⁸ Helmle described Jaffe and Wood together as a great team, but the stock-picking that Jaffe did as the most important contribution to their success.¹²⁹ Without Jaffe, Helmle admitted, Wood's business would have been "severely hurt."¹³⁰

Jaffe similarly said that Wood needed his stock-picking service. Without him, Jaffe said, she would not have been able to make recommendations to customers or retain more than a small portion of his customer base.¹³¹ Prior to implementation of the plan for Jaffe to become Wood's research analyst, Jaffe handled "99 percent of all of the conversations [with customers] about the

¹²² Tr. (Helmle) 210.

¹²³ Tr. (Helmle) 200-01.

¹²⁴ Tr. (Helmle) 307; Tr. (Jaffe) 513-14, 516, 582-84; Tr. (Wood) 955-56.

¹²⁵ Tr. (Helmle) 308.

¹²⁶ Tr. (Helmle) 310.

¹²⁷ Tr. (Helmle) 208.

¹²⁸ Tr. (Helmle) 462-63.

¹²⁹ Tr. (Helmle) 1105-07.

¹³⁰ Tr. (Helmle) 313.

¹³¹ Tr. (Jaffe) 513-14, 516, 582-84.

market, about stocks, about the economy, about what sectors, what’s going on with our government.”¹³² He said, “Andrea [Wood] only dealt with something if I was gone or sick or whatever.”¹³³ She needed Jaffe’s “help coming up with ideas on things. It was almost out of survival, to survive she had to have some help.”¹³⁴

Wood herself testified that she would have lost customers if she had ceased her business relationship with Jaffe.¹³⁵

In sum, Wood could not have sustained Jaffe’s securities business without Jaffe, and Helmle knew it. That meant that he could not benefit from Jaffe’s securities business without Jaffe.

c. Jaffe Purportedly Transfers His Book of Business to Wood

Although the plan only began to take final shape in late March 2016, Jaffe testified that he transferred his book of business to Wood as of early 2016. He received no compensation for the transfer. It was his intent that Wood would “caretake” his clients until he could get registered again. He viewed the arrangement as temporary.¹³⁶ Jaffe’s clients became Wood’s clients.¹³⁷ There is no document in the record reflecting the transfer.

At IBS, Wood had approximately 260 brokerage accounts, and almost all of them were previously Jaffe’s customers.¹³⁸ She described herself as a “steward” of the accounts.¹³⁹

d. Wood Registers with IBS as an Independent Contractor

Wood registered with IBS as an independent contractor. The fee schedule she signed and dated January 14, 2016, was the same form agreement that Jaffe had signed before being informed he was disqualified, and the 85 percent payout from commissions was the same as had been originally agreed upon with Jaffe.¹⁴⁰

¹³² Tr. (Jaffe) 646.

¹³³ Tr. (Jaffe) 646.

¹³⁴ Tr. (Jaffe) 647.

¹³⁵ Tr. (Wood) 955-56.

¹³⁶ Tr. (Jaffe) 512.

¹³⁷ Tr. (Wood) 893-94.

¹³⁸ Tr. (Wood) 955.

¹³⁹ Tr. (Wood) 981.

¹⁴⁰ Tr. (Helmle) 161-63; CX-11.

e. Wood Sets Up Woodgroup

Wood formed Woodgroup to conduct her securities business. The operating agreement for the entity was signed February 4, 2016, but Wood testified that she had been operating as Woodgroup before that. Once Woodgroup was set up, the plan was for Wood to deposit the commissions she earned from her brokerage business and the fees she generated from investment advisory services into it.¹⁴¹ Woodgroup would then pay the business expenses.¹⁴²

f. Wood and Jaffe Enter an Office Sharing Agreement

Through their respective business entities, Woodgroup and JFSI, Wood and Jaffe entered an office sharing agreement for the suite of offices in which they had been conducting Jaffe's securities business. The document is signed and dated February 16, 2016. Jaffe had a long-term lease for the suite of offices.¹⁴³ Previously, JFSI had made the lease payments and, under the agreement, JFSI (referred to in the agreement as Jaffe) was to continue making them. Woodgroup was to reimburse Jaffe for 90 percent of the rent and other leasehold obligations. The agreement gave Jaffe and Woodgroup "equal and joint authority . . . for office policy; administrative procedure; the purchase, sale or lease of any shared property; and any other item relating to the functioning of the Premises, property and staff therein."¹⁴⁴

The office sharing agreement further provided that "all employees [of JFSI] except for Marc Jaffe shall be deemed as employees of Woodgroup," but "in practice, each employee shall be a shared employee."¹⁴⁵ With respect to the shared employees, Woodgroup was to bear 90 percent of the associated costs and Jaffe 10 percent. Although the agreement gave Woodgroup responsibility for hiring, firing, compensating, and managing employees, it also required that Woodgroup consult Jaffe "prior to any major decision regarding such personnel matters."¹⁴⁶

To facilitate the sharing of expenses, the office sharing agreement provided that the parties should establish a joint bank account. Each party was to "feed" the account at the beginning of each month with the amount of money anticipated to be necessary for that month. Each party was to review the account and adjust deposits for anticipated expenses in future months, as necessary.¹⁴⁷

Over the years that the 96th Street office suite was an IBS branch office, the office sharing agreement was renewed each year. Woodgroup and JFSI both occupied the suite of

¹⁴¹ Tr. (Wood) 878, 892-93; CX-13.

¹⁴² Tr. (Wood) 878, 926-28; CX-13; CX-15.

¹⁴³ Tr. (Jaffe) 560.

¹⁴⁴ CX-15, at 1; Tr. (Wood) 915-17.

¹⁴⁵ CX-15, at 2.

¹⁴⁶ CX-15, at 2.

¹⁴⁷ CX-15, at 3.

offices.¹⁴⁸ IBS never held the lease for the Indianapolis suite of offices. Wong testified, “I’m not aware of Integrity Brokerage having a lease there.”¹⁴⁹

If the office sharing agreement was meant to establish an arms-length relationship, it was unsuccessful. Wood’s and Jaffe’s financial interests and their shared management of the office and staff were intertwined.

In fact, Jaffe remained in control. Wood and all the other staff in the IBS branch office remained on Jaffe’s JFSI payroll.¹⁵⁰ Wood testified that Woodgroup did not even “share” employees with JFSI. She said, “Woodgroup is the same as Andrea Wood. My tax return is the one and only. I didn’t have any employees.”¹⁵¹ Jaffe testified that the office space was *his*, and that he allowed IBS to use offices in *his* space. “Integrity had an office in *my* office space. I owned this, this is *mine*.”¹⁵²

g. Woodgroup Purports to Hire Jaffe as an Independent Contractor to Provide Research and Analysis

Woodgroup and Jaffe entered what was styled an Independent Contractor Agreement by which Wood’s entity retained Jaffe to perform financial and investment analysis and provide research services. The document is dated February 16, 2016, about two months after Wood joined IBS. But the agreement was not actually executed, Wood testified, until July 2016,¹⁵³ which suggests that it made no difference whether the analyst agreement was in place or not. Wood and Jaffe conducted their business without much regard for the documentation. Hegeman and Jutla, the FINRA staff who investigated Jaffe’s potential association with the Firm, testified that emails both before and after the analyst agreement was signed reflect that Jaffe was meeting with clients and speaking to them on the telephone.¹⁵⁴

Under the independent contractor agreement, Woodgroup agreed to pay Jaffe a flat fee of \$15,000 per month. The term of the agreement was one year, until February 16, 2017.¹⁵⁵ Jaffe had hoped to be paid substantially more. He had initially instructed an attorney involved in drafting the agreement to state his compensation in the document as \$40,000 per month. But another attorney involved in review of the documents thought that the analyst agreement would

¹⁴⁸ Tr. (Wood) 910-15; CX-15; CX-28.

¹⁴⁹ Tr. (Wong) 1209.

¹⁵⁰ Tr. (Wood) 891-92, 917-20.

¹⁵¹ Tr. (Wood) 917-18. The office sharing agreement provided that the IBS employees paid by JFSI were “deemed” employees of Woodgroup specifically for “income tax reporting purposes.” CX-15, at 2. Her testimony that she had no employees and the only tax return was her own reveals that her business entity was no more than a fiction.

¹⁵² Tr. (Jaffe) 634 (emphasis supplied).

¹⁵³ Tr. (Wood) 894-95; CX-14.

¹⁵⁴ Tr. (Hegeman) 681; Tr. (Jutla) 764, 768-86; CX-12; CX-83.

¹⁵⁵ CX-14, at 2; Tr. (Wood) 893-96.

be “suspect” if the compensation was that high. The attorney who thought the \$40,000 figure too high asked whether Jaffe would accept less, not whether Wood was willing to pay the high figure,¹⁵⁶ another indication that it was Jaffe who was in charge. Helmle knew that Jaffe would be paid \$15,000 per month under the initial agreement.¹⁵⁷

Wood did no competitive analysis to determine the going wage rate for a stock analyst. “I know Marc Jaffe,” she said, “and I know what he was worth to me and that was enough.”¹⁵⁸

One year later, the analyst agreement was renewed for another year starting from February 16, 2017. As of September 1, 2017, Jaffe’s compensation was increased to \$19,600 per month.¹⁵⁹ On February 16, 2018, the analyst agreement was extended again for another year.¹⁶⁰ And, on March 21, 2018, the document was amended to increase Jaffe’s compensation again. Effective April 1, 2018, his compensation was raised to \$29,600 per month. The nature of Jaffe’s work did not change with the increases in his compensation.¹⁶¹

Jaffe suggested in his hearing testimony that the large increases in his compensation might be related to the returns he claimed the clients were earning, returns of 50 to 80 percent.¹⁶² “I did not plan on working very long for \$15,000 a month,” Jaffe said. “That was something I did so we could get up and running.”¹⁶³

In contrast, Wood made approximately \$80,000 a year, slightly less than \$7,000 per month.¹⁶⁴ Jaffe said she took the same salary every two weeks. He did not think she had had a raise for 10–15 years.¹⁶⁵ Wood did not participate in any of the profits she supposedly generated for the clients.¹⁶⁶ The disparity between Wood’s compensation and Jaffe’s compensation reflects the reality—she assisted him in running his business.

Wood testified that the last two years she worked at the Firm (from late 2018 through late 2020) she took over some administrative work for other brokers at IBS in California and was

¹⁵⁶ CX-22; Tr. (Jaffe) 550-57.

¹⁵⁷ CX-14; Tr. (Helmle) 209.

¹⁵⁸ Tr. (Wood) 976-77.

¹⁵⁹ CX-27; Tr. (Wood) 898.

¹⁶⁰ CX-67, at 1-2.

¹⁶¹ CX-67, at 3; Tr. (Jaffe) 557-58; Tr. (Wood) 897, 899-901, 953.

¹⁶² Tr. (Jaffe) 594-95.

¹⁶³ Tr. (Jaffe) 628-29.

¹⁶⁴ Tr. (Wood) 990.

¹⁶⁵ Tr. (Jaffe) 627-29.

¹⁶⁶ Tr. (Jaffe) 626-29; Tr. (Helmle) 1107-09.

compensated that way.¹⁶⁷ “Because I was doing my own administrative work,” she said, “I could also do it for some of the other brokers.”¹⁶⁸ The fact that she took on administrative work for IBS brokers in California confirms that she acted in an administrative role. She was not generating business in Indianapolis. Jaffe ran the securities business there.

Pursuant to the analyst agreement, every month or so Jaffe would provide a handwritten list of stock picks and someone in the office (Wood, Stewart, or Hill) would type up the list of stock picks and file it in the office. The document was for internal use only.¹⁶⁹ The list did not consist of anything other than the names of various stocks and investments. It did not contain analysis or an explanation of the reasons for the stock picks.¹⁷⁰ The document was so bare bones that Wood could not have used it alone to explain the recommendations. She testified that she and Jaffe talked “a lot” about his stock picks and that is the way they had always operated.¹⁷¹

Wood said that she received more than 90 percent of her investment ideas from Jaffe.¹⁷² Jaffe testified that he spoke with Wood frequently, from twice a day to seven or eight times a day. “[T]his is a very fluid business,” he said. “There is stuff going on nonstop.”¹⁷³

Helmle knew about the analyst arrangement Wood had with Jaffe,¹⁷⁴ and he understood that the commissions he paid Wood would be a source of the funds she paid to Jaffe through Woodgroup.¹⁷⁵ He characterized the arrangement as the same as hiring a plumber or an attorney or any other contractor. Helmle asserted that Jaffe was simply an independent service provider paid from Wood’s business revenues.¹⁷⁶

Helmle’s view of Jaffe as an independent service provider does not correspond to reality. Usually a plumber does not share an office with the client and have a right to participate in a client’s management of personnel. Nor does an attorney customarily share a bank account with the client.

¹⁶⁷ Tr. (Wood) 990-92.

¹⁶⁸ Tr. (Wood) 991.

¹⁶⁹ Tr. (Wood) 904-06; Tr. (Jaffe) 614-15; CX-16; CX-78.

¹⁷⁰ CX-16; CX-78.

¹⁷¹ Tr. (Wood) 902-08; CX-16; CX-78.

¹⁷² Tr. (Wood) 907.

¹⁷³ Tr. (Jaffe) 576.

¹⁷⁴ Tr. (Jaffe) 522-26; Tr. (Helmle) 201-02.

¹⁷⁵ Tr. (Helmle) 201-02.

¹⁷⁶ Tr. (Helmle) 201-03, 1317-18.

Wood and Jaffe were not independent from one another. As noted above, Jaffe's and Wood's financial interests were intertwined.¹⁷⁷ As discussed further below, Wood worked for Jaffe and provided administrative assistance to him, using JFSI branding in her emails. Jaffe discussed securities investments with the Firm's customers in the same suite of offices he had been using for ten years. JFSI branding was on the entry to the office suite even after it became the IBS branch office. Based on Jaffe's continued conduct of business in the same way and in the same place as before, customers believed he was their registered representative.

5. IBS Submits an MC-400 Application for Jaffe to Associate with It

On March 23, 2016, around the time that the plan finally crystallized for Wood to temporarily take over Jaffe's business and for Woodgroup to hire Jaffe as a research analyst, IBS submitted an MC-400 Application requesting approval for Jaffe to associate with the Firm.¹⁷⁸ Michael Weston signed the document on behalf of the Firm as a representative or principal in IBS's compliance department.¹⁷⁹ The MC-400 Application represented that Jaffe would become a registered representative with the Firm and would "work towards assisting clients with their investment needs."¹⁸⁰ The Application proposed that Compton would supervise Jaffe and disclosed that Compton was a salaried employee of JFSI.¹⁸¹ Compton was not an employee of either IBS or Woodgroup.

6. Before and After the Submission of the MC-400 Application, Helmle Allows Jaffe to Conduct His Securities Business Through IBS

a. Helmle Lets Jaffe Keep His IBS Email

After Helmle received the December 2015 letter from FINRA telling him that Jaffe should cease associating with the Firm, Helmle did not terminate the IBS email address he had already given Jaffe. He claims that instead he told Jaffe not to use it until he was registered.¹⁸² Helmle says he did not want to delete the address and then set it up again, and he expected that FINRA would permit Jaffe's registration at the end of the MC-400 process. "I issued him an e-mail address. . . . I admit 100 percent I issued him an e-mail address. I told him not to use it."¹⁸³

¹⁷⁷ The NAC decision denying the MC-400 Application also found that Jaffe owns approximately 90 percent of JFSI and Wood approximately 10 percent. CX-30, at 6.

¹⁷⁸ CX-18. IBS failed to submit an MC-400 Application by the mid-January 2016 deadline FINRA staff had set in the letter informing Helmle that Jaffe was prohibited from associating with IBS. CX-5. Its March 2016 Application was two months late.

¹⁷⁹ CX-18, at 8.

¹⁸⁰ CX-18, at 3.

¹⁸¹ CX-18, at 4.

¹⁸² Tr. (Helmle) 185-86, 225-27.

¹⁸³ Tr. (Helmle) 226, 271.

Evidently, Helmle did not immediately tell Wood not to use Jaffe's IBS address. Even after the December 28, 2015 letter from FINRA, Wood circulated Jaffe's IBS email address to clients. On December 29, 2015, for example, she wrote to a client, "Please make note of my new email address. Marc's is mjaffe@integrity-brokerage.com. Sarah's is sstewart@integrity-brokerage.com."¹⁸⁴ On December 30, she sent Jaffe's IBS email address to another customer.¹⁸⁵ More than a week after the FINRA letter, she was still circulating an IBS email address for Jaffe. On January 6, 2016, Wood sent a client an email with the IBS email addresses for herself, Jaffe, and another staff member.¹⁸⁶ In this email, Wood presented Jaffe's connection to IBS as the same as her connection to IBS. They were both associated with the Firm and doing business through it.

In fact, Jaffe's customers used his IBS email address to reach out to him well after FINRA's December 2015 letter telling Helmle that Jaffe must cease associating with the Firm.¹⁸⁷ For example, on April 30, 2016, customer JM sent an email to Wood and to Jaffe at his IBS email address saying, "You said you would help me with picking funds, etc. for my new CBRE 401k when I set it up. I finally did it. Can we set-up a time to talk to go over?"¹⁸⁸ On May 19, 2016, another customer, MO, sent an email to Wood and to Jaffe at his IBS email address saying that while they were talking, the cell signal died. MO was following up to confirm that they "had agreed on the phone to the Yahoo buy and getting rid of weight watchers."¹⁸⁹ On July 11, 2016, MO wrote to Jaffe alone at his IBS email address, "Can I buy this in retirement portfolio?"¹⁹⁰ That same day, MO also wrote to Jaffe alone at his IBS email address, "Now I just need to send you more money too!"¹⁹¹ MO clearly thought of Jaffe as the person who managed his money, not as Wood's independent contractor. On August 12, 2016, still another customer, DB, emailed Jaffe at his IBS address seeking information on his position. That customer did not copy Wood on the email.¹⁹² Apparently, the customer did not view her as necessary to the conversation. Only Jaffe was necessary.

Helmle knew that Jaffe was communicating with IBS customers, even if they did not use his IBS email address. Some of the customers copied Wood at her IBS email address and Helmle

¹⁸⁴ CX-6, at 1.

¹⁸⁵ CX-6, at 5.

¹⁸⁶ CX-6, at 6.

¹⁸⁷ Tr. (Helmle) 227-30.

¹⁸⁸ CX-10, at 1.

¹⁸⁹ CX-10, at 2.

¹⁹⁰ CX-10, at 14.

¹⁹¹ CX-10, at 15.

¹⁹² CX-10, at 9-10.

reviewed her IBS emails.¹⁹³ Helmle said he thought that Jaffe was using a Gmail account.¹⁹⁴ When he noticed emails to Jaffe’s IBS address, Helmle told Wood to tell Jaffe “to stop using any emails.”¹⁹⁵ Notably, he did not tell Wood that Jaffe’s contacts with customers had to stop; he just told her not to create a record of Jaffe’s contacts with customers.

Jaffe says that he never sent emails from his IBS email account.¹⁹⁶ But, as seen from the emails above, customers communicated with Jaffe at his IBS email address. In connection with the MC-400 Application, Jaffe testified before the NAC that he believed someone at the Firm was monitoring his IBS email account.¹⁹⁷ Such monitoring would have allowed IBS staff to inform Jaffe of customer inquiries and enabled him to respond or to act on customer communications. Thus, regardless of whether Jaffe himself responded to customers using the IBS email account, it was a communication channel used to connect Jaffe to customers. Furthermore, the existence of the IBS email address created the appearance that Jaffe was part of the IBS branch office, even though FINRA had told Helmle that Jaffe must cease associating with the Firm.

b. Helmle Lets Wood Continue Using JFSI Branding

Wood linked Jaffe to IBS in customers’ minds by referencing Jaffe’s d/b/a entity JFSI after her designation as a registered representative in her email signature block, even though she was sending email through the IBS email account. Although the last line of her signature block told customers that securities transactions would take place through IBS, Wood appeared to be acting as an associate of Jaffe’s securities business:¹⁹⁸

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Registered Representative
Jaffe Financial Services, Inc.
500 East 96th Street, Suite 455
Indianapolis, IN 46240
Phone: (317)218 2101
Fax: (317)218 2136
Toll Free: (866)523 3337
www.jaffefinancialservices.com
“Securities offered through Integrity Brokerage Services, Inc. Member FINRA and SIPC.”

¹⁹³ Tr. (Helmle) 224-33, 255-58.

¹⁹⁴ Tr. (Helmle) 223. Compton, the designated supervisor of the IBS branch in Indianapolis, sent an email to Jaffe’s Gmail account to inform him of his appointments, including customer appointments. From this evidence it appears that Jaffe might have been conducting securities business using his Gmail account. Tr. (Jutla) 777-78; CX-83, at 3 (email on Sept. 21, 2016).

¹⁹⁵ Tr. (Helmle) 223.

¹⁹⁶ Tr. (Jaffe) 643-44.

¹⁹⁷ CX-30, at 21.

¹⁹⁸ CX-6.

Wood and other staff at the Indianapolis branch continued from December 2015 through at least July 2017, a couple of months after the NAC decision denying the Firm's MC-400 Application, to identify themselves in the signature blocks of their emails as connected to JFSI.¹⁹⁹ Through his review of IBS emails, Helmle was aware that Wood was using Jaffe's d/b/a entity, JFSI, in her emails with clients. But, as discussed below, he did not ask her and other IBS staff to remove JFSI from their email signature blocks until after the NAC decision denying the MC-400 Application.

Similarly, from December 2015 onward, JFSI signage remained at the entry of the Indianapolis office suite. Again, it was only after the NAC decision denying the MC-400 Application that Helmle asked Wood to remove the JFSI signage. As discussed below, she delayed acting on his request, and the record does not contain evidence that the JFSI signage was ever removed.²⁰⁰

The continued use of the JFSI branding conveyed the sense that Jaffe's securities business was continuing as it always had, although the brokerage firm used to effect transactions had changed from Finance 500 to IBS. The use of JFSI branding instead of Woodgroup branding also undercuts the idea that Wood was operating the securities business and only retained Jaffe as an independent contractor.

c. Helmle and IBS Treat Jaffe as Part of Their Securities Business

Jaffe continued to work in the same office suite after it became an IBS branch. He was in the office routinely for three or four hours a day, three or four days a week,²⁰¹ which Helmle knew.²⁰² Helmle said Wood saw Jaffe in the office "pretty regularly."²⁰³ Jaffe organized and attended staff meetings²⁰⁴ and directed IBS staff to provide materials to customers.²⁰⁵ The office sharing agreement with Woodgroup gave him joint responsibility for office policy and administrative matters and the right to be consulted on any important personnel matters.

IBS also included Jaffe in discussions about IBS business. Weston, Helmle's compliance person in California, wrote in a June 2, 2016 email to Wood, Helmle, and Compton that he wanted to set up a conference call with them and Jaffe about an upcoming branch examination. When Wood proposed a day and time that would work for the people in Indianapolis, Helmle

¹⁹⁹ E.g., CX-10, at 7 (July 25, 2017 email from Kati Hill to Indianapolis branch staff) ("Kati Hill, Client Accounts Executive, Jaffe Financial Services, Inc.").

²⁰⁰ CX-48; CX-49.

²⁰¹ Tr. (Wood) 954.

²⁰² Tr. (Helmle) 185-86.

²⁰³ Tr. (Helmle) 224.

²⁰⁴ Tr. (Jaffe) 575-76.

²⁰⁵ Tr. (Wood) 948-49; CX-54.

agreed to the proposed time.²⁰⁶ This email demonstrates that Helmle was treating Jaffe as a member of IBS senior staff to be consulted about the branch examination, not as an independent contractor with Woodgroup.

A year later, in June 2017, Jaffe asked for and was provided by branch office staff a client list with account information and telephone numbers. This was shortly after the NAC's May 2017 decision denying the MC-400 Application. Helmle was newly sensitized to the issue of Jaffe's role at the Indianapolis branch office. He wrote Compton an email on July 7, 2017, asking why such information would be provided to an unregistered person and "why would this be put in email format."²⁰⁷ Helmle instructed that going forward such information should not be provided to an unregistered person.²⁰⁸

Twelve days after the email speaking of Jaffe as an unregistered person, however, Helmle sent an email to Compton inconsistent with that characterization of Jaffe. In this July 19, 2017 email, Helmle removed Compton from his supervisory role at the Indianapolis branch. He told Compton that he had decided to change the OSJ manager in Indianapolis and to assume those duties himself. Notably, Helmle said one of the reasons for the change was Compton's "lack of assistance/guidance . . . to the Reps in the branch, specifically Mr. Jaffe."²⁰⁹ Helmle continued, "Some of the missteps by Mr. Jaffe must come down directly on the person supervising him."²¹⁰ "Although it may be challenging to keep Reps in line and in compliance," Helmle wrote, "especially the one who writes your paycheck, that is in fact the job." Throughout the email, Helmle referred to Jaffe as a "Rep," and he indicated that, at least temporarily, he would take over supervising Jaffe.²¹¹ In this email, Helmle treated Jaffe as though he were a registered person subject to IBS supervision. This email further contradicts the notion that Jaffe was an independent contractor working for Wood. Helmle was treating Jaffe as a registered representative with IBS.

To take over the supervisory role from Compton, Helmle filed a Form BR (FINRA's Uniform Branch Office Registration Form) amendment on July 20, 2017, identifying himself as the supervisor "physically located" at the Indianapolis branch office, an OSJ.²¹² The representation that Helmle was physically located in Indiana was untrue. He was located in

²⁰⁶ CX-21; Tr. (Helmle) 242-44.

²⁰⁷ CX-38; Tr. (Helmle) 329-31.

²⁰⁸ CX-38.

²⁰⁹ CX-40.

²¹⁰ CX-40.

²¹¹ CX-40.

²¹² CX-41, at 2. FINRA Rule 3110(a)(4) requires a member firm to designate at least one appropriately registered principal in each OSJ with authority to carry out supervisory responsibilities. "The designated on-site principal for [an] OSJ must have a physical presence, on a regular and routine basis, at [the] OSJ for which the principal has supervisory responsibilities." Supplementary Material for Rule 3110 at .03.

California, and, in fact, he never even visited the Indianapolis branch.²¹³ The filing of a regulatory form with such a blatant misstatement casts doubt on Helmle's general credibility.

Helmle's reaction at the hearing when shown the misstatement in the document casts further doubt on his credibility. He recognized the negative conclusion one could draw and strenuously objected, but he had no legitimate explanation:

It was an OSJ. It says yes, there was only one solution put your name there. There has to be someone there. I'm getting very insulted with the innuendos and the insults, like I am lying and doing things wrong. . . . [H]e is insinuating that I lied that I was not physically there. It is unethical. This is ridiculous.²¹⁴

The Form BR amendment that Helmle filed also named Jaffe as the person who paid all the expenses of the branch office.²¹⁵ That Jaffe was paying the branch office expenses contradicts the assertion that he was Wood's independent contractor.

d. Jaffe Talks to Customers About Securities

As discussed above, the emails FINRA staff collected and reviewed while investigating Jaffe's potential improper association with IBS establish that Jaffe was in constant contact with customers regarding securities and their portfolios in the period prior to the May 2017 NAC decision denying the MC-400 Application. Even after the NAC decision, Jaffe was meeting with customers and talking with them about their accounts.²¹⁶

Jaffe admitted in his hearing testimony that he had regular discussions with his customers regarding stocks and the securities market. He also admitted that, if a customer asked him what he thought about buying a particular stock, he would give his opinion. He thought that those discussions did not cross the line into prohibited territory because he did not think of himself as recommending a stock or soliciting a transaction.²¹⁷

Wood testified that it was difficult to restrain Jaffe from conversing with clients. "Marc [Jaffe] is a social person and most of these people were his friends."²¹⁸ Jaffe communicated with clients by telephone, and he went out to dinner with them.²¹⁹ When asked if Jaffe continued to communicate with her brokerage customers, Wood responded, "[S]o many of them were his

²¹³ Tr. (Wood) 988-90; Tr. (Helmle) 120-21, 315-22.

²¹⁴ Tr. (Helmle) 321.

²¹⁵ CX-41, at 4.

²¹⁶ CX-83, at 3-6.

²¹⁷ Tr. (Jaffe) 529-30, 534-35.

²¹⁸ Tr. (Wood) 933, 953.

²¹⁹ Tr. (Wood) 1001.

friends and I am not privy to his dinner parties so. And it was natural that they would still talk.”²²⁰

In email correspondence with Helmle, Wood typically justified Jaffe’s communications with customers with the explanation that the customers were Jaffe’s close friends, implying that it would be awkward or impossible to prevent such conversations.²²¹ At the hearing, Helmle said that Jaffe had at least two dozen “close, personal friends” who were also IBS clients, “which made that whole process of supervising and keeping that wall up difficult.”²²² Helmle adopted the view that it was impossible to prevent Jaffe from talking to customers. “I don’t have any control over the client,” Helmle said, “and I don’t have any control over Mr. Jaffe.”²²³

Helmle’s comment about having no control over Jaffe raises the question why Helmle removed Compton from his supervisory position and purported to take over supervising Jaffe as a “Rep.” Helmle’s inconsistency undercuts his credibility.

e. Customers Believe That Jaffe Is Their Representative

Customers viewed Jaffe, not Wood, as their representative. One customer expressed surprise when he realized that the paperwork for an account listed Wood as the professional responsible for the account. On May 17, 2016, HF wrote to Wood asking, “Why are you listed as the Advisor on [my wife’s] Integrity Brokerage account rather than Marc [Jaffe]?”²²⁴ Wood did not answer the question posed. She responded, “Hi [HF], Marc [Jaffe] should shortly be listed as the advisor.”²²⁵ She never made it clear to the customer that Jaffe was subject to a statutory disqualification that barred him from being the person responsible for the customer’s account. At most, customers understood that Jaffe had been temporarily “benched” by his suspension.²²⁶ Wong said in his opening statement, “Every one of those clients still think Jaffe is their rep. They do not ask about Wood.”²²⁷

7. Member Regulation Informs Helmle of Its Recommendation That the MC-400 Application Be Denied

In a November 23, 2016 letter sent to Helmle by email and commercial courier service, Member Regulation informed him that it was recommending to the Statutory Disqualification Committee and National Adjudicatory Council that the Firm’s MC-400 Application be denied.

²²⁰ Tr. (Wood) 953.

²²¹ Tr. (Wood) 949-50; Tr. (Helmle) 474.

²²² Tr. (Helmle) 481.

²²³ Tr. (Helmle) 1138. *See also* Tr. (Helmle) 361-63, 473-75.

²²⁴ CX-83, at 2.

²²⁵ CX-83, at 2.

²²⁶ Tr. (Jaffe) 586-88.

²²⁷ Tr. (Wong) 59-60.

One of the bases for the recommendation was that “Jaffe engaged in intervening misconduct and was allowed to associate with the Firm without first being approved to do so by FINRA.”²²⁸ The letter pointed to the issuance and use of Jaffe’s IBS email address as evidence of improper association. Some of the emails noted by Hegeman and Jutla, the FINRA staff members who had investigated Jaffe’s potential association with IBS, were cited as evidence of Jaffe’s improper association with the Firm.²²⁹

8. The NAC Denies the MC-400 Application

On May 16, 2017, the NAC issued its decision denying IBS’s MC-400 Application to permit Jaffe to associate with the firm.²³⁰ The cover letter indicates that it was sent to Helmle by email at his IBS address and by certified mail.²³¹ The NAC specifically found that Jaffe had improperly associated with the Firm while the MC-400 Application was pending.²³² It concluded that “Jaffe never fully stopped conducting his securities business while [the MC-400 Application] proceeding ha[d] been pending.”²³³

The NAC cited several facts as indicia of Jaffe’s association with the Firm. Jaffe came into the office suite he shared with the Firm three or four times a week, and regularly met with the Firm’s staff to discuss securities and his recommendations. He regularly communicated with customers and met with them in person. In these conversations with customers, he would sometimes discuss securities and share his advice and opinions about securities and the markets. Jaffe had an IBS email address, and, although he said he did not use it, he believed others at the Firm checked the email account, which appeared to lead to meetings with Jaffe and subsequent securities transactions.²³⁴

9. Helmle Attempts to Make Changes That Confirm That the IBS Branch Is Run as Jaffe’s Business

A few months after the NAC decision, Helmle attempted to make some changes in the way the IBS branch in Indianapolis operated. The changes he proposed demonstrate that the branch had been operating up to that point as Jaffe’s securities business. Some of the changes Helmle proposed may have been implemented, but that is far from clear. In any event, even if Helmle’s suggested changes had been implemented, they still were not designed to end Jaffe’s involvement in IBS’s securities business.

²²⁸ CX-26, at 1.

²²⁹ CX-26, at 8-9.

²³⁰ CX-30.

²³¹ CX-30, at 1.

²³² CX-30, at 20-23.

²³³ CX-30, at 22.

²³⁴ CX-30, at 21.

On September 15, 2017, Helmle emailed Wood with a list of questions and changes to be addressed. One of the changes he instructed Wood to make was to “[c]hange the signage at your office.”²³⁵ On September 22, 2017, Helmle sent Wood and Stewart a letter asking them to represent in writing that “[t]he signage for Jaffe Financial Services, Inc. has been removed or the work order for removal has been scheduled.”²³⁶ Wood responded by email on September 22 that the signage would not change until later, at some unspecified time, when an anticipated change to Integrity Capital Management as their investment advisor firm, was official.²³⁷ There is no evidence in the record that the signage was ever changed. At the hearing, Helmle testified that the entry to the office suite had signage for IBS and Jaffe’s real estate business, but he did not indicate whether that signage was any different than Jaffe’s signage for his securities business, JFSI.²³⁸

Helmle’s September 15, 2017 email also instructed Wood and Stewart to change “the way the phone is answered to Integrity Brokerage.”²³⁹ From this instruction, it appears that the telephone was not previously answered in a way that signified a caller had reached the IBS branch office. Given the JFSI branding on Wood’s email signature block and on the door of the office suite, the telephone may also have been answered in a way that connected the caller to Jaffe’s business. Wood responded on September 22 that the phones “will be answered ‘Integrity Brokerage Services.’”²⁴⁰

Helmle’s September 15, 2017 email told Wood that she and the staff should change the signature blocks on their emails to replace “JFS” with “Integrity Brokerage.”²⁴¹ This demonstrates that the IBS branch had been identified to customers as Jaffe’s business throughout 2016 and much of 2017. Wood responded that she and the staff had changed the signature block on their emails.²⁴²

Helmle’s September 15, 2017 email told Wood that the offices she used for her brokerage and advisory business could no longer be shared with Marc Jaffe. “Either Mr. Jaffe no longer uses the offices you occupy,” Helmle continued, “or you find new office space to work.”²⁴³

But Helmle did not really contemplate that Wood and Jaffe should physically separate their offices. His September 22 email told Wood that she could sublet office space to Jaffe for his

²³⁵ CX-48, at 1.

²³⁶ CX-49, at 2.

²³⁷ CX-48, at 1.

²³⁸ Tr. (Helmle) 378-80.

²³⁹ CX-48, at 2.

²⁴⁰ CX-48, at 1.

²⁴¹ CX-48, at 2.

²⁴² CX-48, at 1.

²⁴³ CX-48, at 2.

real estate or consulting business.²⁴⁴ Helmle tried to address the problem of Jaffe being in the same physical space as the IBS branch staff by writing in the email that Jaffe was “in no way allowed to provide investment advice.”²⁴⁵

Wood responded in her September 22 email that they “were just beginning to explore with the landlord the options available to [them].” One of the options she mentioned was a sublease to Jaffe that he could use as “his personal office.”²⁴⁶ Her response indicated that in fact there would be no change. The option she identified was to continue working with Jaffe in the shared office suite, but, perhaps, subject to new documentation. Wood testified she could not agree to stop sharing the office with Jaffe. It was “not possible.”²⁴⁷

Helmle in fact knew that nothing would change. He testified that he told Wood “20 times” that she needed to get her own office space, but her response to him “was pretty much always the same.” She told him, “[Y]ou don’t understand, I physically need to be near him to talk about what to buy, you know, get those investments.”²⁴⁸ Helmle testified that no matter how many times he told her to get her own space, “she was just never going to move.”²⁴⁹

Wood and Jaffe continued to use the same office space throughout the time Wood was registered with IBS, even after the Complaint was filed and after Wong became the owner.²⁵⁰ When Wood testified in this matter in February 2021, she did so by videoconference in the same office suite on 96th Street in Indianapolis.²⁵¹

Helmle told Wood in his September 15, 2017 email that she could no longer set up conversations with Jaffe and clients. He told her that, if a client “want[ed] more detail on a particular stock,” then Wood should say that she would get the information and call the client back.²⁵² Wood resisted. She wrote back, “Conversations between clients and Marc Jaffe will be limited to generic company or general market information.”²⁵³ Wood clearly told Helmle that Jaffe would continue to talk to clients about companies and the market. The limitation to “generic” and “general” discussion did not limit the scope of those conversations in any meaningful way. Nothing in the record indicates that Helmle took any steps after receiving

²⁴⁴ CX-49, at 2.

²⁴⁵ CX-49, at 2.

²⁴⁶ CX-48, at 1.

²⁴⁷ Tr. (Wood) 932.

²⁴⁸ Tr. (Helmle) 1124.

²⁴⁹ Tr. (Helmle) 1124.

²⁵⁰ Tr. (Wong) 1201-05, 1211-13.

²⁵¹ Tr. (Wood) 868.

²⁵² CX-48, at 2.

²⁵³ CX-48, at 1.

Wood's response to stop Jaffe from having such conversations with clients. He testified that such conversations were not a violation, and so they were acceptable to him.²⁵⁴

In his September 22, 2017 email, Helmle sought written confirmation of the discussions he had with Wood regarding the kinds of contact Jaffe could have with clients. In that email, Helmle did not limit the subjects Jaffe could discuss to "generic" and "general" matter. Rather, Helmle said that Jaffe could speak with customers about "company specific information."²⁵⁵ He only purported to restrict Jaffe's communications with customers by prohibiting "recommendations or portfolio specific advice."²⁵⁶

10. Helmle Advises Wood to Conceal Jaffe's Communications with Customers

Helmle knew that there were a lot of emails from customers to Wood asking about Jaffe's recommendations regarding stock transactions. At the hearing, he asserted that such emails were appropriate and that the emails showed that IBS had done a good job in training customers not to go directly to Jaffe. Even though customers communicated with Wood, they understood that Jaffe was in the background helping her with recommendations. It was Jaffe's expertise they were seeking, not Wood's.²⁵⁷ Helmle's view that such communications were permissible was in error, as discussed further below.

There were other emails that caused Helmle concern. He knew from the NAC decision that FINRA was critical of the contacts Jaffe had been having with customers. From his review of branch emails, Helmle could see that customers were emailing Jaffe and conferring with him over the telephone and in person about securities. When Helmle raised concerns with Wood, she frequently explained that the customers were friends,²⁵⁸ implying that no one could stop Jaffe from talking with his friends.

Helmle came to accept the view that Jaffe could speak to his friends, even if they were also clients. At the hearing, he called friends who happen to be customers a grey area.²⁵⁹

Helmle suggested, however, a way that Wood could make such interactions less visible and less vulnerable to regulatory scrutiny. When Helmle questioned Wood about a customer (CG) who had sent an email to Wood in June 2018 at her IBS address requesting a meeting with Jaffe, Wood responded that the customer was a client but also a "close personal friend of

²⁵⁴ Tr. (Helmle) 377.

²⁵⁵ CX-49, at 2.

²⁵⁶ CX-49, at 2.

²⁵⁷ Tr. (Helmle) 347-54.

²⁵⁸ Tr. (Helmle) 224-25, 360-65.

²⁵⁹ Tr. (Helmle) 360-65.

Marc's.”²⁶⁰ Helmle then wrote back to Wood, “If friends then she should use his private email and not CC you in.”²⁶¹ In effect, Helmle suggested that the customer's interactions with Jaffe be concealed by avoiding the Firm's email system. No Firm record would be created of Jaffe's contacts with clients. Helmle did not say that Jaffe had to stop discussing securities with customers.²⁶²

11. Helmle and Wood Draft Misleading Letter to Customers Regarding the NAC Decision

After the NAC decision in May 2017 denying the Firm's request for permission to have Jaffe associate with it, Helmle took steps to address the situation but without terminating Jaffe's connection to the securities business transacted through IBS. As noted above, Helmle removed Compton from supervising the Indianapolis branch and took over that responsibility himself. Helmle also pressed Wood to explain to customers in writing that Jaffe could only be an analyst, and not their registered representative.²⁶³ In December 2017, more than six months after the NAC decision, Wood and Helmle exchanged final edits to a draft letter to clients, and the letter was finalized. Wood testified that it was circulated to clients in late 2017 or early 2018.²⁶⁴

When asked why the letter to clients went out so late, six or seven months after the NAC decision, Wood indicated that she was not eager to send anything in writing. “We talked to the clients about it. They all knew about it. . . . Everyone knew what was going on . . . [h]ow we were fighting to get Marc back into the business.”²⁶⁵ “I would have said everybody knows, we don't need to warm it up.”²⁶⁶ She also indicated that Jaffe was reluctant to explain in writing. “I think this is very hard to put it in writing and put it in front of them. And I mean all I could say is that Marc [Jaffe] just felt—I mean this was his business.”²⁶⁷

Significantly, Wood referred to the securities business in the Indianapolis office as *his* business, meaning Jaffe's business, not hers. She did not view him as an independent contractor assisting her to run her business.

²⁶⁰ CX-70.

²⁶¹ CX-70, at 1.

²⁶² Tr. (Helmle) 360-65; CX-70. Helmle attempted to justify his advice to Wood by saying that discussions among friends should not be part of their business. But he made the suggestion to avoid the Firm's email system in connection with an email from a client seeking business advice regarding her retirement accounts. The customer's inquiry was a business inquiry, not merely a friendly chat.

²⁶³ Tr. (Wood) 983-85.

²⁶⁴ CX-61; CX-63; Tr. (Wood) 936-39, 983-84.

²⁶⁵ Tr. (Wood) 985.

²⁶⁶ Tr. (Wood) 985.

²⁶⁷ Tr. (Wood) 984.

Helmle persisted, saying that there had to be something in writing to address Jaffe's role after the NAC decision. "Josh [Helmle] really pushed me the whole time to do this," Wood said.²⁶⁸ The letter only went out, Wood continued, "because Josh [Helmle] pushed and pushed and pushed."²⁶⁹ Helmle, Wood, and Stewart worked on the draft. However, Jaffe reviewed and approved it.²⁷⁰

The fact that Jaffe reviewed and approved the letter is inconsistent with his purported status as an independent contractor. If Jaffe were only an independent contractor with Woodgroup, it would have been none of his business what IBS told its clients about the NAC decision.

The final version of the letter explaining Jaffe's situation was issued by Wood under the name Woodgroup, LLC, with the 96th Street address. The letter had no JFSI branding. It called Jaffe's statutory disqualification "a technical regulatory event" that "prevented Marc [Jaffe] from returning to business as usual with a new brokerage firm."²⁷¹ The letter did not actually use the words "statutory disqualification," so the nature of the "technical regulatory event" was not made clear to customers. The letter said, "Marc [Jaffe] and our brokerage firm, Integrity Brokerage," fought with the industry regulator, but "the regulators made a decision in May of this year, preventing [Jaffe] from functioning in his normal capacity as a registered representative."²⁷²

The letter explained the delay in communicating with clients by referring to a continuation of the fight. It said, however, that Jaffe had decided "for now" to focus exclusively on "research and analysis of our investment selections."²⁷³ Wood wrote that in view of these events she had become the "acting registered representative and investment advisor" for the customers' accounts.²⁷⁴

The letter called Jaffe's research and analysis "ultimately . . . the most important component of managing your assets."²⁷⁵ Wood promised to continue to provide "excellent and timely client service," while Jaffe would "continue to focus his efforts on providing intelligent and timely research and investment ideas."²⁷⁶

²⁶⁸ Tr. (Wood) 984.

²⁶⁹ Tr. (Wood) 985.

²⁷⁰ Tr. (Wood) 985-86.

²⁷¹ CX-63, at 1.

²⁷² CX-63, at 1.

²⁷³ CX-63, at 1.

²⁷⁴ CX-63, at 1.

²⁷⁵ CX-63, at 1.

²⁷⁶ CX-63, at 1.

Ultimately, the letter downplayed the significance of the events it related. It referred to the change in Jaffe's role as "semantics."²⁷⁷ Wood said that she and Stewart would be "points of contact for all issues relating to [the customers'] accounts," but promised that customers could request Jaffe's time for a meeting to discuss "stock market changes, US or global economic issues, as well as any company specific information."²⁷⁸

The letter conveyed the idea that there would be no meaningful difference in the way that Wood and Jaffe would function in managing customer accounts going forward. She would provide customer service and he would provide investment advice and continue to meet with customers if requested to do so.

At the hearing, Helmle defended the letter. He thought it permissible for Wood to bring Jaffe to meetings with customers and discuss company specific information. He considered "semantics" an appropriate description of the change in the point of contact.²⁷⁹

12. After the 2018 Cycle Examination, FINRA Staff Advises Helmle That IBS Was Continuing to Improperly Associate with Jaffe

In December 2018, FINRA staff completed an examination of IBS and reported to Helmle that the Firm was not in compliance with Article III, Section 3 of FINRA's By-Laws and FINRA Rule 2010 because it was continuing to associate with Jaffe despite his statutory disqualification.²⁸⁰

13. Jaffe and Wood Continue as Before

Even after the December 2018 examination report concluding that Jaffe was improperly associating with the Firm, Helmle and the Firm allowed Jaffe to continue working on stock investment ideas for IBS customers. The record includes a typed list of his recommendations for IBS and Integrity Capital Management, an investment advisory firm owned by Helmle, dated April 3, 2019.²⁸¹ Jaffe testified that he continued working through at least April 2020, when the Complaint was filed, and that he continued to be paid his monthly fee under his independent contractor agreement with Woodgroup.²⁸² Wood continued sharing the 96th Street office suite with Jaffe throughout the next two years that she was associated with IBS. As discussed below, Wong claimed to have talked to her about setting up a separate office when he became the owner of IBS. But she never did.

²⁷⁷ CX-63, at 1.

²⁷⁸ CX-63, at 1-2.

²⁷⁹ Tr. (Helmle) 385-99, 404.

²⁸⁰ CX-76; Tr. (Helmle) 446-47.

²⁸¹ CX-78.

²⁸² Tr. (Jaffe) 593-95.

14. Helmle and the Firm Do Not Terminate Their Relationship with Wood and Jaffe

Given Wood's and Jaffe's manner of conducting business at the IBS Indianapolis branch, the only alternative was to sever Wood's connection to the Firm by terminating her. That would have ended Jaffe's association with IBS. Helmle confessed at the hearing that he simply made a "business decision" not to end his relationship with Wood.²⁸³

F. Post-Complaint Misconduct by the Firm

1. Wong Acquires the Firm

In November 2019, Helmle and Wong began talking about Wong's potential purchase of the Firm.²⁸⁴ A stock purchase agreement dated December 20, 2019 was drawn up and, at some point, Wong signed it.²⁸⁵ The stock purchase agreement contemplated closing on the transaction after FINRA approved the change in ownership.²⁸⁶ In preparation for completing the purchase, Wong studied for his Series 24 examination and joined the Firm in April 2020 so that it could sponsor him to take the examination.²⁸⁷ He passed the Series 24 examination on May 13, 2020, which qualified him to act as a principal.²⁸⁸ Once FINRA approved the transfer of ownership, Wong closed on the purchase and became the official owner of the Firm on August 3, 2020.²⁸⁹ The Firm's address changed to Monterey Park, California.²⁹⁰

The total purchase price for the Firm was \$210,000. Wong gave Helmle a deposit of \$25,000. At the closing, he agreed to replace the Firm's \$150,000 deposit at its clearing firm and paid Helmle the remainder of the purchase price. Helmle netted \$60,000 from the sale of the Firm.²⁹¹

Once Wong became the owner of the Firm, he became its CEO and president.²⁹² Because he had no prior retail brokerage experience, however, and because he was studying to take the

²⁸³ Tr. (Helmle) 1113-14.

²⁸⁴ Tr. (Wong) 1217-18.

²⁸⁵ CX-107, at 1, 3.

²⁸⁶ Tr. (Helmle) 93-94; CX-107.

²⁸⁷ Tr. (Wong) 1173-74, 1225, 1229-30; CX-115.

²⁸⁸ Tr. (Wong) 1227-31; CX-115, at 18.

²⁸⁹ Helmle and Wong amended the stock purchase agreement to make the closing date July 31, 2020. CX-107. But Wong was not the owner of record until IBS filed an amended Form BD on August 3, 2020. CX-108.

²⁹⁰ CX-108.

²⁹¹ Tr. (Wong) 1194-95.

²⁹² Tr. (Helmle) 105-08, 114-15; Tr. (Wong) 1232-33; CX-108, at 2; CX-109; CX-110.

Series 65 examination, Wong still relied on Helmle.²⁹³ Helmle remained the CCO, FinOp, and CFO of the Firm from August 2020 until he left the Firm on December 17, 2020.²⁹⁴

2. The Firm Still Fails to End Jaffe's Improper Association

a. Wong Knows That FINRA Has Concluded That Jaffe Is Improperly Associating with the Firm

Before acquiring the Firm, Wong was informed that Jaffe had been accused of improper association while he was subject to a statutory disqualification and working with the public while unregistered. In December 2019, when Wong and Helmle were discussing Wong's potential purchase of the Firm, Helmle made certain disclosures regarding Wood, Jaffe, and FINRA's investigation. He made plain that Jaffe's activities could result in serious charges of consequence to the Firm. By email dated December 11, 2019, Helmle told Wong that he and Wood had both received a Wells letter from FINRA accusing them of associating with Jaffe, a statutorily disqualified person, and allowing Jaffe to work with the public when he was not registered. In the email, Helmle asserted that the accusations were false, telling Wong that "Jaffe has never directly dealt with clients."²⁹⁵ Helmle told Wong that the Firm was not involved, but it could be affected if Wood left the securities business. Her business represented approximately 45–55 percent of the Firm's revenues. The risk of losing her business was the reason that Helmle purported to give Wong a "big discount" on the purchase price.²⁹⁶

In April 2020, the Complaint was filed, and Wong received a copy shortly afterward.²⁹⁷ From the Complaint and the accompanying copy of the NAC decision, Wong knew that FINRA had concluded that Jaffe was improperly associating with the Firm. He also was informed of the Firm's potential liability for the misconduct. The Firm's name and CRD number are prominent because it is the first Respondent named in the caption.²⁹⁸ The Complaint refers to the NAC decision denying the MC-400 Application, which was attached to the Complaint as Exhibit A, and which provides details of the alleged misconduct.²⁹⁹

Before Wong closed on his purchase of IBS, Helmle sent a letter to FINRA staff dated May 11, 2020, which reported that Wong had opened the window to take his Series 24 examination and was going to be running the Firm once he passed the exam and closed on the purchase of the Firm. Helmle said in the email that he had kept Wong informed of the issues

²⁹³ Tr. (Wong) 1168-69, 1173, 1202.

²⁹⁴ Tr. (Helmle) 85-87.

²⁹⁵ CX-104, at 2.

²⁹⁶ CX-104, at 2.

²⁹⁷ Tr. (Wong) 1197-98, 1205-06, 1211, 1226.

²⁹⁸ Compl. ¶ 1.

²⁹⁹ Compl. ¶ 35.

related to Jaffe, that Wong was aware of the Complaint, and that Wong was still “eager” to continue the purchase.³⁰⁰

On May 19, 2020, Wong sent a brief letter to FINRA staff acknowledging that he had received and reviewed the Complaint.³⁰¹ He testified at the hearing that he had read the Complaint in April 2020, before the closing of his purchase transaction,³⁰² and that he had discussions about it with Helmle.³⁰³

b. Wong Allows Jaffe and Wood to Continue Conducting Their Securities Business in the Shared Office Suite

After reviewing the Complaint, Wong said he had a plan in April 2020 to ask Wood to separate from Jaffe, but he was not then the owner and could do nothing about the problem.³⁰⁴ His testimony about this supposed plan demonstrates that he knew in April that Wood should not be permitted to continue sharing an office with Jaffe.

Once Wong became the owner of the Firm at the beginning of August, he had the authority to implement his supposed plan. Wong claims that he told Wood to set up a home office away from Jaffe³⁰⁵ and that 60 days went by without her changing her office.³⁰⁶ There is no documentation of that instruction in the record and no evidence but Wong’s testimony that he took any action at all to end Jaffe’s improper association with the Firm.

Helmle influenced Wong to do nothing. He counseled Wong not to terminate Wood, saying that she had “done nothing wrong.”³⁰⁷ According to Helmle, he told Wong, “[L]et’s go through this hearing, see how it plays out.”³⁰⁸

Wood was still in the same suite of offices with Jaffe through fall 2020. Wong claimed that it was apparent to him that she and Jaffe were going to settle the charges against them and he thought there was little “relevance” in requiring her to separate from Jaffe.³⁰⁹ Wong expressed empathy for the “reps.” He said it was their livelihood and he did not think he should take action

³⁰⁰ CX-105.

³⁰¹ CX-106.

³⁰² Tr. (Wong) 1170, 1196-98, 1205-06, 1211, 1226.

³⁰³ Tr. (Wong) 1205-06.

³⁰⁴ Tr. (Wong) 1211-13 (“[M]y plan was either get them to split or U5 Ms. Wood.”).

³⁰⁵ Tr. (Wong) 1201-02.

³⁰⁶ Tr. (Wong) 1204-05.

³⁰⁷ Tr. (Helmle closing) 1321.

³⁰⁸ Tr. (Helmle closing) 1321.

³⁰⁹ Tr. (Wong) 1204-05.

without fully understanding the situation.³¹⁰ Orders accepting Wood's and Jaffe's offers to settle the charges against them were filed on November 4, 2020. The Indianapolis office continued to operate until December 3, 2020, the date Wood's suspension began. Wong explained that he did not think he should cut Wood off without making sure the clients were taken care of first.³¹¹

G. The Firm's Viability if Sanctioned

The Panel took evidence of the Firm's financial condition because Wong expressed concern that any sanction would damage the viability of the business and his own financial position.³¹² The Firm timely filed its FOCUS report (Financial and Operational Combined Uniform Single Report) for the period from October 1 to December 31, 2020. For the three-month period, it reported total revenue of \$198,550.³¹³ As of December 31, 2020, the Firm had net capital of a little over \$180,000 and excess net capital of approximately \$175,000.³¹⁴

Wong also raised a concern that IBS's clearing firm would terminate the relationship if the Firm were sanctioned in this proceeding.³¹⁵ He said that he had provided a copy of the Complaint to the clearing firm and that the clearing firm had indicated it would get in touch if it had questions.³¹⁶ There is no evidence that the clearing firm has threatened to end its relationship with IBS if the Firm is sanctioned.

H. Credibility

1. Helmle

Helmle testified that when he first attempted to register Jaffe with IBS he did not know that Jaffe could not associate with the Firm.³¹⁷ Given the explicit statement in the AWC that Jaffe would be subject to a statutory disqualification, and given that Helmle did some due diligence before offering to do business with Jaffe, one might be skeptical of Helmle's statement. However, when Helmle looked at the AWC at the hearing, he seemed genuinely shocked at what the document provided, and shocked that Jaffe would have signed the document knowing that he would be statutorily disqualified from the industry. And when Helmle questioned Jaffe, Helmle expressed his shock and asked Jaffe why he signed the AWC.³¹⁸ Because of Helmle's reaction to

³¹⁰ Tr. (Wong) 1211-13.

³¹¹ Tr. (Wong) 1234-36.

³¹² Tr. (Wong) 1166, 1200-01; Tr. (Wong closing) 1325-27; IBS Post-Hr'g Br. Sections 3 and 4.

³¹³ CX-114, at 6.

³¹⁴ CX-114, at 4-5.

³¹⁵ Tr. (Wong) 1188-91.

³¹⁶ Tr. (Wong) 1190.

³¹⁷ Tr. (Helmle) 130-37, 141.

³¹⁸ Tr. (Helmle) 596-605.

the document at the hearing, we are willing to credit his claim that he did not realize in December 2015 that he could not register Jaffe in the ordinary way once his suspension was over.

This testimony, however, is of little matter. The Complaint does not charge that Helmle and the Firm engaged in misconduct in December 2015. The period covered by the Complaint starts in February 2016, after FINRA put Helmle on notice that Jaffe could not associate with the Firm.

Much of the rest of Helmle's testimony was marred by a mixture of combativeness and impatience with the questions he was asked.³¹⁹ He expressed contempt for the NAC's decision denying the Firm's MC-400 Application, calling it an "opinion" with which he disagreed, as though he could ignore it and he was excused from complying with it.³²⁰ In response to a question about the NAC decision, for example, Helmle said, "I have told you a million times that just because they say something does not mean they were right. It was not based on law or regulation."³²¹ He also vented his general frustration with FINRA.³²² This conduct made us doubt that Helmle made any effort to be accurate and responsive to the questions he was asked.

³¹⁹ Tr. (Helmle) 88 (calling the line of questions wasteful and irrelevant); 101 ("If this was a court of law, I would say objection, what is the relevance of all this stuff."); Tr. (Helmle) 347 ("I mean over and over again, we could wrap this up much quicker if you don't bring up all the same thing over and over again."); 348-49 (complaining about questions regarding emails from clients to Wood seeking investment recommendations from Jaffe); 353-54 ("[Y]ou want me to put a square peg into a round hole."); 416 ("There is no relevance to this at all. This is personal past history that is none of [the Enforcement attorney's] business at all."); 433-34 ("I also didn't inform them [FINRA] I'm a Padres fan. There was lots of stuff I didn't inform them about that was not relevant to their question."); 1230 ("I full object to all this. It's not relevant. It's badgering. If this was real court, I'd say badgering. It's not getting anywhere."); 1231 ("I object to everything. To all this.").

³²⁰ Tr. (Helmle) 292-93 (Discussing the NAC Decision, Helmle said, "[W]hen I read something that is faulty it does not hold much weight. In fact this whole thing should not even be admitted because these are just the opinions of people that we don't know. And I certainly don't respect them because I know my experience with them. . . . This is people's opinions on things. None of this is substantiated in FINRA rules. You don't see any rules being actually quoted and showing rules that were violated. This is just an opinion, a feeling about things."). *See also* Tr. (Helmle) 294-95 ("[T]he NAC whole procedure was so flawed that it did not hold much ethical and moral weight with me and it does not today. . . . They are not like stating any FINRA rules that are actually like line by line or numbered rules that were broken because there were none."); 298, 302-05 (Helmle acknowledges that he previously testified in a 2019 OTR that the NAC decision was "the biggest crock of shit ever."); 384 ("[T]he NAC is not a rule making body. That was their opinion and it was wrong."); CX-93.

³²¹ Tr. (Helmle) 452.

³²² In his closing, Helmle made clear his disdain for FINRA: "All of us have been really screwed over by these entities that we have to deal with," he said, identifying the IRS and FINRA as the targets of his ire. Tr. (Helmle closing) 1320. Helmle concluded, "[I]t just sickens me to see all these people who are just really innocent, they are railroaded into getting sucked up into this whole negative ball, and that's really the end of it." Tr. (Helmle closing) 1321.

In the end, however, Helmle stipulated at the hearing that Jaffe communicated with customers.³²³ That is the critical fact. What remains is to determine whether, under the circumstances, that conduct amounted to associating with the Firm and whether it required registration.

2. Wong

Wong's testimony was generally not credible. Twice at the hearing, Wong contradicted statements he had previously made in a declaration under penalty of perjury that his counsel submitted in support of a motion to postpone the hearing originally scheduled in December.

At the hearing, Wong claimed that he did not sign the stock purchase agreement in December 2019 and did not agree to the purchase at that time.³²⁴ When it was pointed out to him that this hearing testimony contradicted what he had said in the declaration, he said the declaration was false.³²⁵ This particular discrepancy is of little consequence. It is immaterial whether Wong signed the stock purchase agreement in December 2019 or sometime afterward. He did at some point sign it. But the lack of care to be accurate in a written statement made under penalty of perjury is concerning.

The second discrepancy is more serious. A statement in Wong's declaration that he now says was inaccurate sowed confusion and contributed to a delay of the hearing originally scheduled in December 2020 until February 2021. At the hearing, Wong admitted that he had received the Complaint naming IBS as a Respondent in April 2020 and that he had discussed it with Helmle before he became the owner of the Firm. But that admission contradicted a statement in the declaration. In the declaration, Wong stated that Helmle notified him "for the first time" on November 19, 2020, that there was an issue involving the Firm in connection with the proceeding. The false statement in the declaration—which was repeated by the Firm's former counsel at a December 2, 2020 pre-hearing conference³²⁶—created the false impression that Wong had no knowledge until November 19, 2020, of the Firm's potential liability and that it could be unfair to press forward with the December hearing until Wong had time to understand the circumstances and develop the Firm's defense.³²⁷ When shown the statement in the

³²³ Tr. (Helmle) 347-49.

³²⁴ Tr. (Wong) 1220-22.

³²⁵ Tr. (Wong) 1222-24.

³²⁶ PHC Tr. (Dec. 2, 2020) 14-15.

³²⁷ Wong used the declaration to support a motion to file a new Answer on behalf of the Firm and start litigating the case again from the beginning, as well as a request to delay the hearing. The motion to file a new Answer and relitigate was denied; the motion to continue the hearing to a later date was granted. Order Granting IBS Motion to Postpone Hearing (Dec. 23, 2020).

declaration, Wong reluctantly acknowledged that the phrase “for the first time” was not accurate.³²⁸

Wong’s testimony is unreliable for other reasons. He was vague and unfocused. He suggested, for example, that he took action prior to December 2020 to address the misconduct alleged in the Complaint. “[S]ome discussions had been had with Ms. Wood, a few discussions prior to that date,” he said, “with the understanding that what was discussed was what was going to be implemented by Ms. Wood.”³²⁹ He was unclear about what was discussed or when. And he never pointed to a single concrete action that he took to address the relationship between Wood and Jaffe and the Indianapolis branch’s securities business.

Often Wong did not directly answer the question asked. When asked for his understanding of the Complaint, for instance, he responded, “Like I said in my opening statement, ‘Shame on me.’ I should have looked into it.”³³⁰ When asked whether he had discussions with Helmle about the relationship with Wood and Jaffe, he responded, “Our discussion were more how do we make things right.”³³¹ He never related what exactly he and Helmle discussed.

In telling his version of events, Wong tried to avoid being pinned down to a clear statement of fact. In his opening statement he said, for example, that anything Helmle said in representing the Firm in this proceeding after Wong became the owner “may or may not have had [his] endorsement.”³³²

Wong’s testimony also was inconsistent with Helmle’s description of their discussions. Wong claimed, “Helmle had been going to [pre-hearing] conferences [in this proceeding] without my knowledge.”³³³ But Helmle said that he had advised Wong not to terminate Wood until the disciplinary proceeding played out,³³⁴ which indicates that Helmle consulted Wong as the proceeding progressed.

Many of Wong’s assertions also are difficult to square with the facts. For example, Wong asserts in defense of his actions as owner of the Firm that he did not understand the Firm’s potential liability. He said, “I did not think it was possible to go after a firm.”³³⁵ Wong’s purported lack of comprehension as to his responsibilities and the Firm’s potential liability is

³²⁸ Tr. (Wong) 1236-39.

³²⁹ Tr. (Wong) 1176-77.

³³⁰ Tr. (Wong) 1169-70.

³³¹ Tr. (Wong) 1204.

³³² Tr. (Wong) 62.

³³³ Tr. (Wong) 1172.

³³⁴ Tr. (Helmle closing) 1321.

³³⁵ Tr. (Wong) 1213-14.

difficult to credit. He read the Complaint naming the Firm as a Respondent in April 2020, while he was studying for the Series 24 examination to become a principal and take control of the Firm. And he passed that exam in May 2020. He had to be aware of the serious nature of the charges against the Firm and the need to address the problem of Jaffe associating with the Firm through Wood.

3. Helmle and Wong Impede the Proceeding

Helmle and Wong impeded the proceeding by failing to appear at scheduled pre-hearing conferences, creating confusion about who represented IBS, and claiming that the Firm no longer existed. The disruption appears to have been purposeful, and further diminishes their credibility. Moreover, Wong's testimony at the hearing about some of these events was vague and inconsistent with other evidence, further weakening his credibility.

a. Helmle and the Firm Fail to File Pre-Hearing Submissions or Appear at November 13 Pre-Hearing Conference

As previously noted in connection with jurisdiction, Helmle represented the Firm, made filings, and attended pre-hearing conferences on its behalf. Pre-hearing submissions were due on October 30, 2020. Helmle and the Firm failed to file any, but, on November 5, the Hearing Officer *sua sponte* granted a brief extension of the deadline to November 9, and ordered all the parties to attend a pre-hearing conference on November 13, 2020, to review the Zoom videoconference technology that was to be used for the hearing in this matter.³³⁶

Although Helmle was served with the Order, Respondents filed no pre-hearing submissions and no one appeared at the November 13 conference on behalf of either IBS or Helmle. The Hearing Officer then issued an Order requiring the parties to attend a pre-hearing conference on November 18 to investigate whether Respondents intended to continue maintaining their defense.³³⁷

b. The Firm Fails to Appear at November 18 Pre-Hearing Conference

Helmle appeared at the November 18, 2020 pre-hearing conference and announced for the first time that he did not represent the Firm. He said the Firm had been sold, but he also said the Firm did not exist. He was vague about the circumstances.³³⁸ Helmle said that he and the new owner, whom he did not identify except as "Mr. Wong," had agreed that Helmle did not speak for the Firm in this proceeding.³³⁹ According to Helmle, he and the new owner agreed that Helmle would report on what was happening in the proceeding but do nothing to bind the Firm.

³³⁶ Fifth Order Modifying Case Management and Scheduling Order, Setting Additional Pre-Hearing Conference, and Amending Caption (Nov. 5, 2020).

³³⁷ Order Setting Pre-Hearing Conference and Requiring Parties to Attend (Nov. 13, 2020).

³³⁸ PHC Tr. (Nov. 18, 2020) 19-24.

³³⁹ PHC Tr. (Nov. 18, 2020) 22-23.

“I was keeping [the new owner] aware or abreast of what was going on. He made it clear to me that I don’t speak for the firm because I don’t own the firm anymore. He agreed with that. I understand that and agree with that.”³⁴⁰

The hearing, originally scheduled to begin in December 2020, was then less than four weeks away. The fact that Helmle waited until the hearing was imminent and did not raise the change in ownership as an issue when it occurred at the beginning of August suggests an intention to disrupt the proceeding and delay the hearing.

c. The Firm Fails to Designate a Corporate Representative or Appear at November 23 Pre-Hearing Conference

The Hearing Officer issued an Order on November 18, 2020, requiring the Firm to file a notice designating a corporate representative by November 20, and requiring that corporate representative to appear at the next pre-hearing conference on November 23. The Order also instructed Helmle to file a motion to withdraw from representation of the Firm. It was served on Helmle, who had been representing the Firm and was still an officer of the Firm.³⁴¹

At the November 23, 2020 pre-hearing conference, Helmle appeared; the Firm did not. Helmle took the position that it was FINRA’s fault that the Firm had no representation at the pre-hearing conference, not his. “I don’t own the firm, so I cannot speak on behalf of the firm. That is as simple as it is,” Helmle said. “Doesn’t it seem like logical and the right way to do things, that if there is an ownership change that FINRA is aware of, that they would start cc’ing the new owner or sending separate instructions or directions or you know.”³⁴² Helmle asserted, “It is not my responsibility at this point to be the liaison between the firm and FINRA. It is FINRA’s responsibility to reach out to the right people. The firm was sold months ago. They know who the new person is.”³⁴³

Wong testified at the hearing about the Firm’s failure to appear at the November 23, 2020 pre-hearing conference. He said that, after Helmle told him to contact Enforcement, he spoke with an Enforcement attorney on November 19.³⁴⁴ This corresponds to what the Enforcement attorney later said during the November 23 pre-hearing conference: that on November 19 he emailed Wong a copy of the November 18 Order requiring the designation of a corporate representative and the representative’s appearance at the pre-hearing conference.³⁴⁵

³⁴⁰ PHC Tr. (Nov. 18, 2020) 22-23.

³⁴¹ Order Memorializing Rulings at Pre-Hearing Conference (Nov. 18, 2020).

³⁴² PHC Tr. (Nov. 23, 2020) 21.

³⁴³ PHC Tr. (Nov. 23, 2020) 11.

³⁴⁴ Tr. (Wong) 1175.

³⁴⁵ PHC Tr. (Nov. 23, 2020) 20.

Thus, both Wong and Helmle received the Order requiring the Firm to designate a corporate representative by November 20 and appear at the November 23 pre-hearing conference. Nevertheless, the Firm designated no corporate representative and failed to appear at the November 23 pre-hearing conference.

Helmle did appear at the November 23 pre-hearing conference on his own behalf, but he asserted that he had no duty to act as “liaison” between FINRA and the Firm.³⁴⁶ At that point Helmle had not done what he was directed to do to withdraw from representing the Firm, which included providing contact information for a corporate representative for the Firm. The Hearing Officer required him to provide contact information for Wong on the record at the conference.³⁴⁷

d. Wong’s Testimony Regarding the Firm’s Failure to Appear a Pre-Hearing Conference Is Not Credible

On November 24, 2020, the Hearing Officer issued an Order to show-cause why the Firm should not be held in default for failing to appear at the November 23 pre-hearing conference. The show-cause Order scheduled another pre-hearing conference for November 30.³⁴⁸ According to Wong, he contacted counsel on November 24 after the show-cause Order was issued.³⁴⁹ Counsel filed a declaration in support of IBS’s motion to postpone the hearing saying he had been contacted on November 24, 2020, and retained on November 25, 2020.³⁵⁰

At the hearing, Wong explained away the failure of anyone to appear on the Firm’s behalf at the pre-hearing conference on November 23, 2020, saying he thought that his attorney was going to represent the Firm.³⁵¹ But Wong testified that he did not retain the attorney until *after* the pre-hearing conference on November 23. According to his own testimony, he could not have thought that the attorney was going to appear on the Firm’s behalf on November 23.

Wong’s testimony was somewhat confused about when the attorney became involved. At one point Wong seemed to suggest that it was November 19, 2020, before the pre-hearing conference on November 23 at which the Firm failed to appear.³⁵² In the post-hearing brief that Wong filed on behalf of the Firm, he suggested that he did not appear at a pre-hearing conference in this case to avoid uncomfortable questions. Wong wrote, “[C]orrespondence received at the

³⁴⁶ PHC Tr. (Nov. 23, 2020) 11.

³⁴⁷ PHC Tr. (Nov. 23, 2020) 24-33.

³⁴⁸ Show-Cause Order (Nov. 24, 2020).

³⁴⁹ Tr. (Wong) 1215.

³⁵⁰ Decl. of Brett G. Evans in Support of Resp. IBS’s Motion for Postponement, at 2, ¶¶ 3-4.

³⁵¹ Tr. (Wong) 1215.

³⁵² Tr. (Wong) 1215-16.

eleventh hour put us in panic-mode as we sought counsel. Furthermore, our attorney at that time recommended I do not appear on Zoom to avoid questioning from the parties.”³⁵³

* * *

In sum, the Firm failed to appear at three different pre-hearing conferences on November 13, 18, and 23, 2020, although Helmle was on notice of each and Wong was on notice of at least the last one. Helmle’s recalcitrance at the pre-hearing conferences where he appeared on his own behalf, saying he had no duty to act as a liaison with the Firm when he had been acting as its representative, was purposeful obstruction of the adjudicatory process, which diminishes his credibility. Wong’s testimony regarding the Firm’s failure to comply with various Orders and deadlines was inconsistent, vague, and not credible.

4. Jaffe

Jaffe acknowledged having contact with former clients who became IBS clients, sometimes as many as three or four times a week. He was vague about what the conversations covered. He claimed that he talked in generalities about markets, currencies, and interest rates and that he used Wood as an intermediary for other topics. He said that if someone brought up a specific stock in a conversation he would direct them to Wood and “she would definitely know how [he] felt about it.”³⁵⁴ He put her in a position to convey his thinking to the customer.³⁵⁵ He also might convey his thinking to the customer himself. If someone asked him whether something was a good buy, he “would tell them the truth.”³⁵⁶ He would let them know “if [he] liked it or not.”³⁵⁷ He “would say something so they knew that it was okay.”³⁵⁸

Despite dispensing advice on stocks to customers, Jaffe thought he was doing nothing wrong. “I was not any part of their decision to buy or sell.”³⁵⁹ He claimed, “I would not say anything that would lead someone to make an investment decision on a purchase or a sale. I would leave that to be discussed with [Wood].”³⁶⁰ Jaffe distinguished between saying “something was a good company” and saying “you need to own it.” He steered the client to Wood, he said, to address the latter assessment.³⁶¹

³⁵³ IBS Post-Hr’g Br. 1.

³⁵⁴ Tr. (Jaffe) 530.

³⁵⁵ Tr. (Jaffe) 528-35.

³⁵⁶ Tr. (Jaffe) 534-35.

³⁵⁷ Tr. (Jaffe) 534-35.

³⁵⁸ Tr. (Jaffe) 534-35.

³⁵⁹ Tr. (Jaffe) 534-35.

³⁶⁰ Tr. (Jaffe) 534.

³⁶¹ Tr. (Jaffe) 535.

Jaffe did not conceal that he had frequent contact with clients about securities related matters, including specific companies. But he was disingenuous about the role he played in customers' decision-making. We discount his characterizations of his conversations with clients, particularly considering the numerous emails from clients with very detailed questions about their portfolios and particular securities transactions. The emails clearly show that customers viewed Jaffe as their representative and looked to him for advice on their portfolios and on specific transactions.

5. Wood

Wood was very precise in her testimony. For example, when the Enforcement attorney questioning her asked whether Jaffe had been her business partner and friend for 25 years, she corrected him, saying it had been 29 years.³⁶² When the attorney suggested that she had left Merrill Lynch to begin working at Morgan Stanley in 2001, Wood answered with a more exact dating, "March of 2001."³⁶³ When the attorney asked if her affiliation with IBS had ended on December 7, 2020, she responded, "I want to say it was December 4th, a Friday, but maybe that is a moot point. Either a Monday or Friday right around that time."³⁶⁴ We credit her testimony when she testified to facts that seemed neutral.

We reject Wood's testimony, however, when it included judgments about FINRA rules and the legitimacy of the arrangement for Jaffe to be her research analyst. She asserted, "Marc [Jaffe] didn't have an association with IBS. He had an association with me."³⁶⁵ Referring to the arrangement she had with Jaffe, she further asserted, "There is no statute on the FINRA books that would prevent something like that."³⁶⁶ As discussed below, she is in error.

We further reject her testimony regarding why IBS branch office employees were paid by JFSI and not Woodgroup, and why JFSI retained the lease on the office suite. She said it was just too difficult to make the changes.

[W]e tried to change the payroll and it was very hard to do. We wanted to change it over to Woodgroup, just like we wanted to change the lease over to Woodgroup but it was very hard to do. I mean we just, there are some things we had to leave as Jaffe Financial. It was just, you know, an administrative nightmare.³⁶⁷

³⁶² Tr. (Wood) 879.

³⁶³ Tr. (Wood) 880.

³⁶⁴ Tr. (Wood) 873.

³⁶⁵ Tr. (Wood) 971.

³⁶⁶ Tr. (Wood) 971-72.

³⁶⁷ Tr. (Wood) 978.

There is no evidence in the record to support the assertion that it was too difficult for Woodgroup to assume those responsibilities. Nor did Wood explain exactly why it was an “administrative nightmare.”

6. FINRA Staff

The FINRA staff who testified, Hegeman and Jutla, were credible and corroborated each other. Each had conversations with different customers and reported similar comments by those customers, who said they had frequent, regular conversations with Jaffe about investments and their portfolios. The customers consistently described Wood as Jaffe’s assistant, not as their registered representative.

I. Violations

The Third Cause of Action charges Helmle and IBS with improperly allowing Jaffe to associate with the Firm despite his statutory disqualification in violation of FINRA By-Laws Article III, Section 3(b), and FINRA Rules 8311 and 2010. The Fourth Cause of Action charges Helmle and IBS with improperly allowing Jaffe to engage in IBS’s securities business without being appropriately registered, in violation of NASD Rule 1031 (before October 1, 2018) and FINRA Rule 1210 (after September 30, 2018), and FINRA Rule 2010. The charges are based on the same alleged misconduct. We conclude that Enforcement proved both violations.

1. Helmle and the Firm Were Prohibited from Allowing Jaffe to Associate with IBS

It is beyond genuine dispute—as FINRA told Helmle multiple times—that Jaffe was prohibited from associating with the Firm. Article III, Section 3(b) of FINRA’s By-Laws prohibits a person from becoming associated with a FINRA member if that person becomes subject to a disqualification that falls within the scope of Section 4 of Article III. Section 4, in turn, specifies that a person is subject to a disqualification from association with a member if the person is subject to a “statutory disqualification” as defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (the “Exchange Act”). The Exchange Act specifies that a person is subject to a “statutory disqualification” in a variety of circumstances. One such circumstance is when a person is found to have “willfully” omitted to disclose a material fact required to be stated in a mandatory report filed with FINRA.

In settling the charges related to the undisclosed tax liens, Jaffe consented to a finding that he did just that—he willfully failed to disclose material information in a required report.³⁶⁸

³⁶⁸ *Dep’t of Enforcement v. Holeman*, No. 2014043001601, 2018 FINRA Discip. LEXIS 12, at *23 (NAC May 21, 2018), *aff’d*, Exchange Act Release No. 86523, 2019 SEC LEXIS 1903 (July 31, 2019), *petition for review denied*, No. 19-1251, 2021 U.S. App. LEXIS 208 (D.C. Cir. Jan. 5, 2021) (all information reportable on Form U4 is presumed to be material); *Dep’t of Enforcement v. Elgart*, No. 2013035211801, 2017 FINRA Discip. LEXIS 9, at *30-31 (NAC Mar. 16, 2017) (information on U4 about tax liens was material).

As a result, he was subject to a statutory disqualification and prohibited from associating with any FINRA member in any capacity.³⁶⁹

IBS was expressly prohibited from allowing Jaffe to associate with it. FINRA Rule 8311(a) provides that if a person is subject to a disqualification a member firm “shall not allow such person to be associated with it in any capacity that is inconsistent with the . . . disqualified status, including a clerical or ministerial capacity.”³⁷⁰

Helmle was a registered principal and associated person of the Firm during the period covered by the Complaint, and he was subject to the same prohibition as the Firm against allowing Jaffe to associate with the Firm. FINRA Rule 0140 plainly states, “The Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under the Rules.” We reject Helmle’s assertion that the rule prohibiting the Firm from allowing Jaffe to associate with it did not apply to him.

2. Helmle and the Firm Allowed Jaffe to Associate with IBS

The only remaining issue with respect to the Third Cause of Action, is whether Jaffe was an associated person of the Firm.

a. Definition of an Associated Person

The term “person associated with a broker or dealer” is defined by statute. Section 3(a)(18) of the Exchange Act defines the term as meaning any partner, officer, director, or branch manager of a broker-dealer or any person occupying a similar status or performing

³⁶⁹ *Elgart*, 2017 FINRA Discip. LEXIS 9, at *31 n.12 (Form U4 violation results in statutory disqualification by operation of the Exchange Act Section 3(a)(39)(F) where person is found to have willfully failed to disclose material information on a Form U4).

³⁷⁰ In both Causes, Enforcement alleges that the misconduct violated FINRA Rule 2010, which requires that business conduct be consistent with “high standards of commercial honor and just and equitable principles of trade.” Rule 2010 is a broad and generalized ethical provision that applies to any unethical business-related conduct whenever the “misconduct reflects on [an] associated person’s ability to comply with the regulatory requirements of the securities business.” *Daniel D. Manoff*, Exchange Act Release No. 46708, 2002 SEC LEXIS 2684, at *11-12 (Oct. 23, 2002). *See also John E. Mullins*, Exchange Act Release No. 66373, 2012 SEC LEXIS 464, at *28-29 (Feb. 10, 2012) (collecting cases). Whenever another violation of a FINRA rule is found, it is also a violation of the high standard of ethical conduct required by Rule 2010. *E.g., Richard F. Kresge*, Exchange Act Release No. 55988, 2007 SEC LEXIS 1407, at *42 (June 29, 2007).

similar functions. The term also includes any person directly or indirectly controlled by or under common control with the broker-dealer, along with any employee of a broker-dealer.³⁷¹

In Article I, Section (rr) of its By-Laws, FINRA defines “person associated with a member” or “associated person of a member” much the same way as the Exchange Act. The definition includes those who occupy the status or perform the function of a partner, officer, director, or branch manager of a member firm, along with a person who engages in the member’s securities business and who directly or indirectly controls or is controlled by the member. In addition, Article I, Section (rr) of the By-Laws, defines an associated person to include “a natural person who is registered or has applied for registration” under FINRA’s rules.

The SEC has construed the meaning of association broadly because that serves investor protection by preventing “evasion of the [Exchange] Act’s proscription against [] engaging in the securities business with associated persons subject to statutory disqualification.”³⁷² FINRA, through its predecessor, the NASD, also has construed the definition of association broadly. The NASD, as FINRA was formerly known, noted more than 25 years ago that it must do so “in order to take regulatory action in circumstances where a person’s connection with a member firm implicates the public interest.”³⁷³

Where an employee’s job duties and activities support and are necessary to a FINRA member firm’s securities business, that person is an associated person of the member firm.³⁷⁴ This is true even if the employee’s activities do not require registration. Even clerical staff are considered associated persons if their duties are part of the conduct of a firm’s securities

³⁷¹ 15 U.S.C. § 78c(a)(18). Similarly, 15 U.S.C. § 78c(a)(21) defines “person associated with a member” when used with respect to a FINRA member firm in almost identical language. A person associated with a member includes a partner, officer, director, or branch manager of the member; any person directly or indirectly controlling, controlled by, or under common control with the member; and any employee of the member. Employees whose functions are solely clerical or ministerial are associated persons for some purposes but not others. Clerical staff do not have to be registered, although they are associated persons. 15 U.S.C. §78o(b); FINRA Rule 1230(a).

³⁷² *Van Alstyne, Noel & Co.*, Exchange Act Release No. 8511, 1969 SEC LEXIS 229, at *16 (Jan. 31, 1969).

³⁷³ *Dist. Bus. Conduct Comm. v. Paramount Invs. Int’l, Inc.*, No. C3A940048, 1995 NASD Discip. LEXIS 248, at *12 (NBCC Oct. 20, 1995).

³⁷⁴ *Dep’t of Enforcement v. Reichman*, No. 200801201960, 2011 FINRA Discip. LEXIS 18, at *16-18, *27-28 (NAC July 21, 2011) (attorney who provided guidance to compliance and supervisory staff on policies and procedures relating to securities sales was an associated person engaged in the firm’s securities business).

business.³⁷⁵ The SEC has put it simply: “[O]ne whose functions are ‘part of the conduct of a securities business’ is an associated person engaged in that business.”³⁷⁶

A person does not have to be an employee of a member firm, however, to be an associated person within the meaning of the Exchange Act and FINRA Rules. The SEC has interpreted the term “associated person” to include “any independent contractor, consultant, franchisee, or other person providing services to a broker-dealer equivalent to those services provided by the persons specifically referenced in the statute.”³⁷⁷

b. Jaffe Was an Associated Person of IBS

Jaffe engaged in the Firm’s securities business within the meaning of the definition of associated person. He was necessary to IBS’s securities business at the Indianapolis branch. Helmle and Jaffe both testified that Wood could not have sustained the business without Jaffe. He analyzed stocks and markets and explained his investment ideas to customers because those activities were not in Wood’s “wheelhouse.” Helmle said that Jaffe and Wood made a good team and he acknowledged that Wood could not have kept Jaffe’s former clients without Jaffe. The stream of emails from customers asking for Jaffe’s advice and stock recommendations make it obvious that he was critical to the success of the branch’s securities business.

Indeed, despite the purported independent contractor agreement with Wood, Helmle and IBS created the impression that Jaffe was part of the branch. Helmle allowed Jaffe to continue to have an IBS email account through which customers reached out to him for investment advice. The IBS branch had offices in the same office suite that Jaffe and his securities business had occupied for years, and Jaffe routinely spent three or four days a week in those offices. Helmle and IBS allowed JFSI branding to remain at the entry of the shared office suite, and Wood and the other IBS staff in Indianapolis used JFSI branding in their IBS emails. Wood’s work at the branch consisted largely of arranging meetings between customers and Jaffe. Helmle knew that customers thought Jaffe was their representative, an impression that he sought to address with the December 2017 letter he drafted with Wood about the NAC decision. That letter called Wood

³⁷⁵ *Id.* at *26 (attorney was an associated person even though she did not need to be registered). *See also, e.g., Stephen M. Carter*, Exchange Act Release No. 26264, 1988 SEC LEXIS 2204, at *3 (Nov. 8, 1988) (employee who worked as a “dealer cashier” was an associated person because he received checks and securities and entered them in the firm’s computer system, prepared firm checks for signature in payment of customer balances, prepared deposit slips, and furnished account balances and other information to customers).

³⁷⁶ *Bruce Zipper*, Exchange Act Release No. 84334, 2018 SEC LEXIS 2709, at *14 (Oct. 1, 2018) (quoting *Carter*, 1988 SEC LEXIS 2204, at *3).

³⁷⁷ Securities and Exchange Commission, Books and Records Requirements for Brokers and Dealers Under the Securities Exchange Act of 1934, Exchange Act Release No. 44992, 66 Fed. Reg. 55818, 55820 & n.18 (Nov. 2, 2001) (“The Commission has consistently taken the position that independent contractors (who are not themselves registered as broker-dealers) involved in the sale of securities on behalf of a broker-dealer are ‘controlled by’ the broker-dealer, and, therefore, are associated persons of the broker-dealer. . . . A similar analysis would be applicable to other persons, such as consultants and franchisees, performing securities activities with or for the broker-dealer.”).

the “acting” registered representative on customer accounts and reassured customers that Jaffe would still be available to meet with them and provide investment advice.

In fact, Helmle allowed Jaffe to be directly involved in IBS business. He included him in meetings about a FINRA examination, and purported to take over supervising Jaffe as a “Rep.”

By virtue of the office sharing arrangement, Jaffe also functioned as a partner or manager of the branch office within the meaning of the term associated person. Jaffe called staff meetings and directed the staff to produce materials for customers. He had the right to be consulted on branch office personnel matters. He made the lease payments for the office, and he and Wood agreed to share overhead costs by making use of a joint bank account. Jaffe’s d/b/a entity, JFSI, paid the payroll for the IBS branch office staff, including Wood.

The definition of an associated person also includes a person “indirectly” controlled by a member firm. Helmle and IBS indirectly controlled Jaffe through Wood. Emails in the record reflect that Helmle communicated with Jaffe through Wood and directed Wood on how customers should communicate with Jaffe.

3. Helmle and the Firm Allowed Jaffe to Act in a Manner That Required Registration

The issue with respect to the Fourth Cause of Action is whether Jaffe, an unregistered person, acted in a manner that required registration.

a. Activities That Require Registration

Activities requiring registration are a subset of those that constitute associating with a FINRA member firm.³⁷⁸ The functions that require registration as a General Securities Representative include, but are not limited to, communicating with members of the public to determine their interest in making investments, discussing the nature or details of particular securities or investment vehicles, recommending the purchase or sale of securities, and accepting orders for the purchase or sale of securities.³⁷⁹

b. Jaffe Acted in a Manner That Required Registration

Jaffe acted in a manner that required registration as a General Securities Representative. His critical function at the IBS Indianapolis branch office was to interact with customers and discuss the nature and details of securities and investments. He communicated with the public primarily by telephone, in-person meetings, and social occasions like dinners. In these

³⁷⁸ *Dep’t of Enforcement v. Dakota Sec. Int’l, Inc.*, No. 2016047565702, 2019 FINRA Discip. LEXIS 11, at *16-17 (NAC Mar. 18, 2019), *appeal docketed*, No. 3-19138 (SEC Apr. 5, 2019).

³⁷⁹ *Dep’t of Enforcement v. Smith*, No. 2015043646501, 2020 FINRA Discip. LEXIS 43, at *60 (NAC Sept. 18, 2020), *appeal docketed*, No. 3-20127 (SEC Oct. 19, 2020); *Dist. Bus. Conduct Comm. v. Gallison*, No. C02960001, 1999 NASD Discip. LEXIS 8, at *52 (NAC Feb. 5, 1999).

interactions he would discuss investment ideas and his views regarding the market and specific companies. If a customer asked if Jaffe thought a particular investment was a good idea, he would express his opinion. Frequently, as Jutla, the FINRA examiner, noted in her compilation of emails and securities transactions, the conversations Jaffe had with customers occurred around the same time as securities transactions occurred.

4. Helmle's Defense Fails

Helmle argues that neither he nor the Firm committed any violation. He argues that there is only a violation if the member firm and the disqualified person had a relationship,³⁸⁰ and he contends that there was no relationship between the Firm and Jaffe. "I mean the guy never opened an account with me, never did a trade with me, never got paid by me," said Helmle. "I'll say it over and over again because it is all true. You have no proof."³⁸¹ According to Helmle, Jaffe made stock picks for Wood, not the Firm.³⁸² Enforcement "didn't offer not a shred of evidence," Helmle said in closing, "because there is none that Jaffe and I, me being a one man firm, so me and the firm are the exact same thing. There was no evidence that we had any dealings at all because we didn't."³⁸³ He continued, "[Y]ou don't see conversations between us, you don't see emails between, you don't see any payments made to him. You see absolutely nothing. There is nothing to link him and the firm."³⁸⁴ Essentially, Helmle argues that he and the Firm were insulated from Jaffe by Wood.³⁸⁵

Helmle's defense fails. His argument elevates form over substance and ignores the facts. Helmle gave Wood a steady stream of instructions about how Jaffe should conduct himself. He treated Jaffe as a part of the IBS branch office in preparing for a cycle examination of the branch and in replacing Compton as supervisor of the OSJ because of Compton's purported failure to supervise Jaffe as "Rep." Helmle knew that Wood could not maintain the securities business at the branch office without Jaffe, so he allowed her to continue sharing the same office suite with Jaffe and using JFSI branding on her IBS email and at the entry to the office suite. It is clear that customers thought Jaffe was their representative and securities broker. Helmle contributed to that impression after the NAC Decision denying the MC-400 Application, when he and Wood drafted the misleading letter promising that customers could meet with Jaffe to discuss investments if they asked.

³⁸⁰ Tr. (Helmle closing) 1315.

³⁸¹ Tr. (Helmle) 296.

³⁸² Tr. (Helmle) 370.

³⁸³ Tr. (Helmle closing) 1314.

³⁸⁴ Tr. (Helmle closing) 1314.

³⁸⁵ Tr. (Helmle) 255, 287; Tr. (Helmle closing) 1315-16.

5. The Firm's Arguments Have No Merit

a. The Firm Was Not Justified in Allowing the Misconduct to Continue After the Complaint Was Filed

The Firm allowed the misconduct to continue after the filing of the Complaint, both under Helmle's ownership and under Wong's. In his post-hearing brief on behalf of the Firm, Wong expands on the reasons that he believes he was justified in not terminating Wood and ending Jaffe's improper association with the Firm. Wong asserts that it would have been "negligent" to terminate Wood immediately after becoming owner without being "fully informed, by all points of view." "Just as FINRA needed time to file a complaint," he says, "we required time to understand the facts."³⁸⁶

We reject the notion that Wong did not have enough information when he acquired the Firm at the beginning of August 2020 to terminate Wood and end the Firm's improper association with Jaffe. He knew there was a problem when he first started talking with Helmle about purchasing the Firm in December 2019, and in April 2020 he knew many of the specifics from reading the Complaint. The Complaint described the recommendation in November 2016 to deny the Firm's MC-400 Application, the NAC decision in May 2017 denying the Application, and the 2018 examination report that concluded that the Firm was still allowing Jaffe to improperly associate with the Firm. The NAC decision also was attached to the Complaint. Wong knew that the Firm's regulator had repeatedly found that the Firm was improperly allowing Jaffe to associate with it, and he knew the basis for the finding.

Furthermore, the assertion that Wong did not act because he needed more information is inconsistent with the record. There is no evidence that he made any effort to better inform himself.

There is a thread of grievance running through Wong's arguments:

I am the new owner of a broker dealer firm. Between FINRA, the clearing firm, the brokers, clients and vendors, the difficulties in learning this business are tremendous, and I work non-stop. Would it be outrageous to think that a new and inexperienced owner would need some time to get his bearings straight?³⁸⁷

Wong further complains that FINRA did not do enough to put him on notice of the proceeding and his responsibilities in connection with it.

³⁸⁶ IBS Post-Hr'g Br. 1.

³⁸⁷ IBS Post-Hr'g Br. 1.

I did not receive invitations for any meetings, conferences or pre-hearing events during the 11 month period from submitting the change in ownership application to personally notifying enforcement.³⁸⁸

Wong calls Enforcement “deceitful” and makes a loose reference to “entrapment.”³⁸⁹

Is enforcement not obligated to contact the new owner, at least on the grounds of ethics? Enforcement should gain no reprieve from disregarding professional courtesy. Professional courtesy exists, is valid and is of common practice. For all that is fair in this world, enforcement deserves no privilege or has no right to dismiss professional courtesy.³⁹⁰

These grievances are misplaced. Inexperience is no excuse for allowing misconduct already identified by the regulator to continue. Wong did not receive “invitations” to pre-hearing conferences because the Firm was already represented by a qualified corporate representative—Helmle—who was properly served and notified of events throughout the litigation pursuant to FINRA’s rules of procedure for such disciplinary proceedings. The fact that Wong was identified in CRD as the owner of the Firm did not require FINRA staff to contact him personally. And, contrary to the accusations against Enforcement of “deceit” and “entrapment,” there is no evidence in the record of any such misconduct.

In the Firm’s post-hearing brief, Wong asserts that the entity identified in the caption is a different entity from one he owns,³⁹¹ seeming to imply that his entity is not connected to the alleged misconduct and should not be sanctioned. As discussed above in the context of jurisdiction, the Firm owned by Wong is the successor to the Firm once owned by Helmle and it operates under the same CRD number. Wong took on all the assets and liabilities of the Firm in the purchase agreement and in the Firm’s Form BD amendment identifying Wong as the new owner of the Firm.

b. Arguments Against Imposing a Sanction on the Firm Are Not Well-Founded

With respect to potential sanctions, Wong argues that the Firm’s financial situation is uncertain.³⁹² But the FOCUS report for the last quarter of 2020 shows that the Firm has substantial excess capital of approximately \$175,000.³⁹³ Wong also argues against sanctions because, he asserts, the Firm risks losing its clearing firm arrangement if it is sanctioned. He said

³⁸⁸ IBS Post-Hr’g Br. Section 2.

³⁸⁹ IBS Post-Hr’g Br. Section 2.

³⁹⁰ IBS Post-Hr’g Br. Section 2.

³⁹¹ IBS Post-Hr’g Br. Section 2.

³⁹² Tr. (Wong 1200-01).

³⁹³ CX-114, at 5.

that “would likely be the end of [him].”³⁹⁴ However, there is no evidence what the clearing firm might do if the Firm is sanctioned. Wong provided the clearing firm with a copy of the Complaint and they said they would get back to him if they had any questions. Wong only speculates what the clearing firm might do.³⁹⁵ In any event, collateral consequences are not a basis for refusing to award appropriate, remedial sanctions.³⁹⁶

III. Sanctions

A. FINRA’s Sanction Guidelines Provide the Benchmark

In considering the appropriate sanction for a violation, adjudicators in FINRA disciplinary proceedings use FINRA’s Sanction Guidelines (“Guidelines”) as their benchmark. The Guidelines contain recommendations for sanctions for many specific violations, depending on the circumstances. They also contain overarching Principal Considerations and General Principles, which are applicable in all cases, and which are used to analyze aggravating and mitigating factors.³⁹⁷

Recommended ranges in the Guidelines are not absolute, however. Adjudicators have discretion to decide based on the facts and circumstances of the case to impose a sanction above or below the recommended range, or even no sanction at all.³⁹⁸ Adjudicators exercise their discretion keeping in mind that the “purpose of FINRA’s disciplinary process is to protect the investing public, support and improve the overall business standards in the securities industry, and decrease the likelihood of recurrence of misconduct by the disciplined respondent.”³⁹⁹

B. Specific Guidelines Set Recommended Sanctions for Allowing a Disqualified Person to Associate Prior to Approval

There are specific Guidelines for analyzing the appropriate sanctions when a disqualified person has been allowed to associate with a firm prior to approval. These recommendations cover the disqualified person (in this case, Jaffe) and the firm (in this case, IBS). But the

³⁹⁴ Tr. (Wong) 1166.

³⁹⁵ Tr. (Wong) 1188-91.

³⁹⁶ *Michael Earl McCune*, Exchange Act Release 77375, 2016 SEC LEXIS 1026, at *36 & n.50 (Mar. 15, 2016), *aff’d*, 672 F. App’x 865 (10th Cir. 2016) (suspension may make it more difficult to find another job in the industry; that is a collateral consequence arising from the misconduct, not a mitigating factor).

³⁹⁷ FINRA Sanction Guidelines (Oct. 2020), <http://www.finra.org/sanctionguidelines>.

³⁹⁸ Guidelines at 3–4, General Principle 3 (applicable to all sanction determinations).

³⁹⁹ Guidelines at 2, General Principle 1.

Guidelines also recommend sanctions to be imposed on a supervisory principal who enables the violation to occur—in this case, Helmle.⁴⁰⁰

In egregious cases, the Guidelines instruct adjudicators to consider suspending the firm with respect to any or all activities or functions for up to two years. In such cases, the Guidelines also suggest suspending a supervisory principal in any or all capacities for up to two years or barring the person. A bar is particularly appropriate where the supervisory principal knowingly allowed a disqualified person to become associated. Both the firm and the supervisory principal responsible for the violation may be fined from \$5,000 to \$77,000.⁴⁰¹

Specific Principal Considerations to address include (i) the nature and extent of the disqualified person's activities and responsibilities; (ii) whether an MC-400 application was pending; and (iii) whether the disqualified person was disqualified due to financial and/or securities misconduct.⁴⁰²

C. This Is an Egregious Case

This is an egregious case. FINRA told Helmle and IBS multiple times over the course of four years that Jaffe could not be associated with the Firm. The first time was in December 2015, when the staff explained that Jaffe was subject to a statutory disqualification and that he had to cease activities related to his association with the Firm. The second time was in November 2016, when Member Regulation informed Helmle it was recommending the MC-400 Application be denied because the Firm was improperly allowing Jaffe to associate with it. The third time was in May 2017, when the NAC denied the Application in part because Jaffe was improperly associating with the Firm without the required approval. The fourth time was at the end of 2018, when the cycle examination concluded that the Firm was not in compliance because Jaffe was associating with the Firm.

Nevertheless, Helmle and the Firm disregarded those clear regulatory directives relating to membership and registration when they permitted Jaffe to continue communicating with clients about securities and their accounts. It is an aggravating factor that Respondents engaged in the misconduct notwithstanding warnings from FINRA because FINRA is entitled to require complete and precise compliance with its directives relating to membership and registration.⁴⁰³ Moreover, the misconduct continued even after the filing of the Complaint and after the change

⁴⁰⁰ Guidelines at 43. As noted above in the discussion of jurisdiction, Helmle is subject to the same prohibition as the Firm against allowing a person subject to a statutory prohibition to associate with the Firm. He was the supervisory principal responsible for permitting the misconduct to continue. He claims he did not supervise or control Jaffe, but he did supervise and control Wood. Through her, Helmle indirectly controlled Jaffe. He could have terminated her and thereby ended Jaffe's improper association with the Firm.

⁴⁰¹ Guidelines at 43.

⁴⁰² Guidelines at 43.

⁴⁰³ *Dakota Sec.*, 2019 FINRA Discip. LEXIS 11, at *40.

in ownership, further demonstrating continuing disregard for the applicable regulatory requirements.⁴⁰⁴

Jaffe's improper communications with customers were frequent and routine. He was the Firm's securities business in Indianapolis. Wood and the rest of the branch office staff assisted him, but, as everyone involved knew, the business would not have existed without Jaffe. Accordingly, we find the nature and extent of the disqualified person's activities and responsibilities were extensive.⁴⁰⁵

Furthermore, the misconduct continued before the MC-400 Application was filed, during the time the Application was pending, and after the Application was denied. Neither Helmle nor the Firm treated the MC-400 Application as a meaningful checkpoint.⁴⁰⁶

Jaffe's ineligibility arises from a securities violation. Jaffe agreed to a finding that he did not disclose material information on a required regulatory report.⁴⁰⁷

D. Both Helmle and the Firm Are Sanctioned

Pursuant to General Principle 4 of the Guidelines, which authorizes the aggregation or batching of violations in appropriate cases,⁴⁰⁸ we impose a unitary sanction on Helmle and a unitary sanction on the Firm for both violations alleged in the Complaint. The violations arise from the same misconduct and can be appropriately remediated by a unitary sanction on each Respondent.

1. Helmle Is Barred

We bar Helmle from associating with any FINRA member firm in any capacity to protect the investing public from a person who has proven impervious to regulatory guidance and authority. Aggravating factors abound. Helmle engaged in the misconduct charged in the Complaint knowingly,⁴⁰⁹ intentionally,⁴¹⁰ and continually, despite repeated warnings from FINRA,⁴¹¹ over an extended period of four years.⁴¹²

⁴⁰⁴ Guidelines at 8 (Principal Consideration 14); *Dep't of Enforcement v. Fretz*, No. 2010024889501, 2015 FINRA Discip. LEXIS 54, at *87-88 (NAC Dec. 17, 2015).

⁴⁰⁵ Guidelines at 43 (Specific Principal Consideration 1).

⁴⁰⁶ Guidelines at 43 (Specific Principal Consideration 2).

⁴⁰⁷ Guidelines at 43 (Specific Principal Consideration 3).

⁴⁰⁸ Guidelines at 4, General Principle 4 (applicable to all sanction determinations).

⁴⁰⁹ Guidelines at 43.

⁴¹⁰ Guidelines at 8 (Principal Consideration 13).

⁴¹¹ Guidelines at 8 (Principal Consideration 14).

⁴¹² Guidelines at 7 (Principal Consideration 9).

At least by the end of December 2015, after FINRA first notified Helmle that Jaffe must cease associating with the Firm, Helmle knew that Jaffe was subject to a statutory disqualification. But he also knew that Jaffe had to be the one to pick stocks and discuss them with customers; Wood did not have those skills. Consequently, Helmle implemented a plan that was designed to allow Jaffe to continue picking stocks and communicating with customers but hide behind the fiction that Wood was the person generating the business. By November 2016, when Market Regulation informed Helmle that it was recommending that the MC-400 Application be denied, Helmle knew that FINRA thought the communications revealed in the Firm's emails between Jaffe and customers were violations. Nevertheless, Helmle permitted the misconduct to continue. Even the NAC decision denying the MC-400 Application in May 2017 did not deter Helmle from allowing Jaffe's improper association with the Firm. Nor did the report on the 2018 cycle examination. Even when Wong became the owner of the Firm, Helmle testified that he advised him not to terminate Wood, which would have brought the misconduct to an end.

After the NAC decision, Helmle attempted to conceal the improper conduct from regulatory scrutiny by suggesting to Wood that she tell customers to communicate with Jaffe through his personal email, without copying Wood on her IBS email. The attempt to conceal the misconduct is another aggravating factor.⁴¹³

Helmle accepts no responsibility for the misconduct, an aggravating factor.⁴¹⁴ Instead he criticizes FINRA for Jaffe's statutory disqualification and decries the NAC decision denying the Firm's MC-400 Application as a mere "opinion" with which he is free to disagree.

Helmle was motivated to engage in the misconduct by the potential for monetary gain, still yet another aggravating factor.⁴¹⁵ In the end, he said, he made a "business decision" to continue.

We are compelled to conclude that Helmle should be barred. Aggravating factors predominate, and we are unaware of any mitigating factors. The Guidelines also provide that a bar is particularly appropriate where the supervisory principal knowingly allows a disqualified person to become associated.⁴¹⁶ Knowing misconduct signifies that any lesser sanction would

⁴¹³ Guidelines at 7 (Principal Consideration 10).

⁴¹⁴ Guidelines at 7 (Principal Consideration 2).

⁴¹⁵ Guidelines at 8 (Principal Consideration 16).

⁴¹⁶ Guidelines at 43. We would fine Helmle \$77,000, the maximum recommended by the Sanction Guidelines, but the Guidelines provide that adjudicators generally should not impose a fine if an individual is barred and there is no customer loss. Guidelines at 10.

likely be futile. There is no reason to believe that Helmle would comply with regulatory requirements in the future if fined or suspended and allowed to return to the industry.⁴¹⁷

2. The Firm Is Fined

During the Complaint period, the Firm engaged in the misconduct through Helmle. It allowed Jaffe to improperly associate with the Firm. The Firm also engaged in post-Complaint misconduct, which is admissible to determine the appropriate sanction.⁴¹⁸ From the filing of the Complaint in April 2020 until Wong became the owner at the beginning of August, the Firm continued to act through Helmle and allow Jaffe to improperly associate with the Firm.

At the beginning of August 2020, when Wong became the owner, nothing changed. The Firm continued to engage in the misconduct. Wong made a choice to allow Wood to continue working with Jaffe in their shared offices despite the repeated warnings from FINRA that the Firm should stop allowing a statutorily disqualified person to associate with it. Wong was, perhaps, influenced by Helmle, who remained a principal of the Firm and, according to Helmle, he counseled Wong not to terminate Wood. But Wong was the owner of the Firm and it was his decision.

Because Wood and Jaffe represented approximately half the Firm's revenues, the owners of the Firm, first Helmle and later Wong, derived a benefit from letting the misconduct continue. The fine we impose on the Firm is focused on a rough estimate of the benefit the Firm derived from the misconduct while under Wong's ownership, from the beginning of August and into December 2020. The Firm's FOCUS report declared that the Firm had total gross revenues during the last quarter of 2020 of \$198,550.⁴¹⁹ The business in Indianapolis represented approximately half of the Firm's revenues,⁴²⁰ which would be \$99,275 for the last quarter of 2020. We do not know the amount of gross revenues the Firm received the previous two months, starting in August 2020, when Wong became the owner, but if we extrapolate from the last quarter the Firm would have had roughly \$132,366 in gross revenues or two thirds the revenues it had in the last quarter. The Indianapolis office would be responsible for half that, or \$66,183.

⁴¹⁷ *Dakota Sec.*, 2019 FINRA Discip. LEXIS 11, at *44 (individual principal barred and firm expelled where misconduct during suspension and ongoing statutory disqualification gave no reason to believe they would comply with any suspension).

⁴¹⁸ See *Wanda P. Sears*, Exchange Act Release No. 58075, 2008 SEC LEXIS 1521, at *22, n.33 (July 1, 2008) (evidence of unauthorized trading that was not alleged in the complaint alleging unauthorized trading was admissible for purposes of sanctions); *Dep't of Enforcement v. Connors*, No. 2012033362101, 2017 FINRA Discip. LEXIS 2, at *39 n.19 (NAC Jan. 10, 2017) (same); *Dep't of Enforcement v. Ahmed*, No. 2012034211301, 2015 FINRA Discip. LEXIS 45, at *121 (NAC Sept. 25, 2015), *aff'd*, Exchange Act Release No. 81759, 2017 SEC LEXIS 3078 (Sept. 28, 2017) (same); *Dep't of Enforcement v. Braff*, No. 2007011937001, 2011 FINRA Discip. LEXIS 15, at *33 n.22 (NAC May 13, 2011) (same), *aff'd*, Exchange Act Release No. 66467, 2012 SEC LEXIS 620 (Feb. 24, 2012).

⁴¹⁹ CX-114, at 6.

⁴²⁰ CX-104, at 2.

We have no information regarding the Firm's net revenues during the period of Wong's ownership. Although Wong was asked for a rough idea of the Firm's monthly profit and loss, he only expressed uncertainty.⁴²¹ We do know that for the audit year 2015, while Helmle owned the Firm and before Wood and Jaffe brought their business to the Firm, the Firm had net income of \$126,179 on gross revenues of \$464,535.⁴²² Thus, in 2015 the Firm's net income was 27.16 percent of gross revenues. We apply that factor to the share of gross revenues attributable to Wood and Jaffe's improper business from August through December 2020, \$165,458, and fine the Firm \$44,938. In view of the Firm's FOCUS report, which showed that the Firm had excess net capital of \$175,000, the fine we impose does not seem to unduly threaten the Firm's viability. We decline to impose the \$100,000 fine requested by Enforcement.

IV. Order

As charged, Respondent Joshua Helmle and the broker-dealer that he owned and operated, Respondent Integrity Brokerage Services, Inc., improperly allowed a person subject to a statutory disqualification to associate with the Firm and to act as an unregistered representative. Their misconduct violated Article III, Section 3(b) of FINRA's By-Laws, and FINRA Rules 8311 and 2010, as alleged in the Third Cause of Action. Their misconduct also violated NASD Rule 1031 (before October 1, 2018) and FINRA Rule 1210 (after September 30, 2018), and FINRA Rule 2010, as alleged in the Fourth Cause of Action.

The broker-dealer's successor in interest, Integrity Brokerage Services, LLC, assumed the assets and liabilities of the corporation and operates under the same number in the Central Registration Depository. The successor in interest bears responsibility for the sanction on the Firm.⁴²³

For his misconduct, Helmle is barred from association with any FINRA member firm in any capacity. For its misconduct, the Firm is fined \$44,938.

Respondents are ordered to pay costs in the amount of \$10,753.33, which includes a \$750 administrative fee and \$10,003.33 for the cost of the transcript. Helmle and the Firm each bear responsibility for half the total amount of costs.

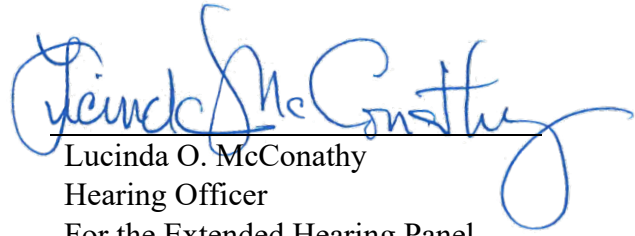
If this decision becomes FINRA's final disciplinary action, Helmle's bar shall become effective immediately. The fines and assessed costs shall be due on a date set by FINRA, but not

⁴²¹ Tr. (Wong) 1200-01. Wong said that the last two commission runs he saw showed commissions coming in of \$10-\$15,000 per month. These included some of Wood's trailing commissions. He was uncertain what the expenses were and uncertain what the Firm would bring in without Wood's business.

⁴²² CX-8, at 7.

⁴²³ The Extended Hearing Panel has considered all the parties' arguments and rejects those inconsistent with this decision without discussion.

sooner than 30 days after this decision becomes FINRA's final disciplinary action in this proceeding.



Lucinda O. McConathy
Hearing Officer
For the Extended Hearing Panel

Copies to:

Integrity Brokerage Services, Inc., c/o David Wong (via overnight courier and email)
Joshua Helmle (via overnight courier and email)
Andrew C. Boldt, Esq. (via email)
John Luburic, Esq. (via email)
Robert Miller, Esq. (via email)
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