

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

TradeSpot Markets, Inc.
FINRA Member Firm
CRD No. 29683

and

Mark B. Beloyan
Registered Representative
CRD No. 1392748,

Respondents.

DISCIPLINARY PROCEEDING
No. 2013037033101

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between February 1, 2013 and March 31, 2015 (the "Review Period"), TradeSpot Markets, Inc. ("TradeSpot" or the "Firm"), through Mark B. Beloyan ("Beloyan"), its President, Chief Operating Officer, and owner, and another registered representative, recommended penny stocks and engaged in penny stock transactions without complying with the requirements for penny stock transactions enumerated under Section 15(h) and Rule 15g-9 of the Securities Exchange Act of 1934 ("Exchange Act").

2. In connection with penny stock transactions through TradeSpot, Beloyan sent customers a Customer Suitability Statement for their review and signature without first documenting an affirmative determination of suitability on the document, as required under Rule 15g-9.
3. Beloyan inappropriately completed the dates next to certain customer signature lines on Customer Suitability Statements and Agreement to Purchase forms before sending the documents to customers so the dates on those documents may not reflect the actual dates that the customers signed the documents.
4. For the account of customer BAG, involving two penny stock transactions, TradeSpot, acting through Beloyan, failed to complete the Customer Suitability Statement or Agreement to Purchase form.
5. TradeSpot, acting through Beloyan, also falsified records by changing dates next to signatures on Customer Suitability Statements for customer WFB, in violation of FINRA Rule 2010.
6. By changing the dates on those documents and pre-dating documents before sending them to customers, Beloyan also caused TradeSpot's books and records to be inaccurate, in violation of Section 17(a) of the Exchange Act and Rule 17a-4 thereunder¹ and FINRA Rules 4511 and 2010.

¹ 17 CFR §240.17a-4.

7. Finally, TradeSpot and Beloyan violated NASD Rule 3010 and FINRA Rules 3110 and 2010, because the Firm's written supervisory procedures were deficient in connection with the penny stock rules.²

RESPONDENTS AND JURISDICTION

8. TradeSpot has been a FINRA member since March 1992. The Firm, whose main office is in Davie, Florida, is licensed to sell corporate equity and debt securities, mutual funds, and government securities, among other products. TradeSpot is owned by Beloyan who also serves as its President, Chief Compliance Officer, and Chief Operating Officer. TradeSpot is an introducing firm and clears through another FINRA member.
9. Beloyan first became registered as a General Securities Representative with a FINRA member in July 1985. Beloyan became associated with TradeSpot in January 1992 and became registered with the Firm as a General Securities Representative, General Securities Principal, and Financial and Operations Principal in March 1992. Beloyan also became registered as an Investment Banking Representative in December 2009, as an Operations Professional in November 2011, and as a Registered Options Principal in November 2013, all with TradeSpot. Beloyan remains registered in these capacities at TradeSpot.

² NASD Rule 3010 was in effect until December 1, 2014. FINRA Rule 3110 was in effect from December 1, 2014 through the balance of the Review Period.

FIRST CAUSE OF ACTION

**Failure to Effect Transactions in Penny Stocks
in Conformity with the Penny Stock Rules
Violation of Section 15(h) and Rule 15g-9 of the Exchange Act
and FINRA Rule 2010
(TradeSpot)**

**Causing TradeSpot to Effect Transactions in Penny Stocks
that are not in Conformity with the Penny Stock Rules
Violation of FINRA Rule 2010
(Beloyan)**

10. The Department realleges and incorporates by reference paragraphs 1 through 9 above.

Certain Requirements Under Federal Law and Rules Related to Penny Stocks

11. Section 15(h) of the Exchange Act (“Section 15(h)”) prohibits brokers and dealers from using the mails or any means or instrumentality of interstate commerce to effect any transaction in penny stock by any customer except in accordance with the requirements of Section 15(h) and the rules and regulations prescribed thereunder.
12. Rule 15g-9 of the Exchange Act (“Rule 15g-9”) makes it unlawful for a broker or dealer to sell a penny stock to, or to effect the purchase of a penny stock by, any person unless, prior to the transaction, the broker or dealer has approved the person’s account for transactions in penny stocks and has received from the person an agreement to the transaction.
13. Rules 15g-9(b)(1) and (2) specifically require that prior to the transaction, in order to approve a person’s account for transactions in penny stocks, the broker or dealer must reasonably determine, based on the person’s financial situation, investment experience, investment objectives, and any other information known by the broker or

dealer, that transactions in penny stocks are suitable for the person. Under Rule 15g-9(b), the broker or dealer must also determine that the person has sufficient knowledge and experience in financial matters such that the person reasonably may be expected to be capable of evaluating the risks of transactions in penny stocks.

14. Rule 15g-9(b)(3) requires that in order to approve a person's account for transactions in penny stocks, a broker or dealer must deliver to the person a written statement setting forth the basis on which the broker or dealer made the determination of suitability as set forth in Rule 15g-9(b)(2) as described above (also known as an "affirmative determination").
15. Rule 15g-9(b)(4) requires that in order to approve a person's account for transactions in penny stocks, a broker or dealer must also obtain from the person a signed and dated copy of the statement required under Rule 15g-9(b)(3).
16. Rule 15g-9(b)(4) makes it unlawful for a broker or dealer to effect the purchase of a penny stock for the account of a customer less than two business days after the broker-dealer sends the statement to the person.

Respondents' Transactions in Penny Stocks for Customer Accounts

17. During the Review Period, TradeSpot, acting through Beloyan and another broker, recommended the purchase of penny stocks and engaged in penny stock transactions with customers who were not otherwise exempt from the penny stock rules, without complying with the obligations under Rule 15g-9. For 12 customers involving 15 transactions identified in Attachment A to the Complaint, TradeSpot, acting through Beloyan, failed to make an affirmative determination of suitability and document that

determination of suitability on the Customer Suitability Statement prior to sending the document to customers for their review and signature.

18. During the Review Period, TradeSpot, acting through Beloyan, consistently entered information in the "Suitability Determination" section of the Customer Suitability Statement only after the customers signed and returned the document to TradeSpot.
19. Consequently, before effecting the transaction in penny stock, customers did not have the benefit of reviewing TradeSpot or Beloyan's affirmative determination of the customers' suitability to effect transactions in penny stock.
20. During the Review Period, TradeSpot, acting through Beloyan, entered a date next to the customer signature line on certain Customer Suitability Statements prior to sending the document to the customer for review and signature. The customer, not Beloyan, should have entered the date to ensure that it accurately reflected the date the customer actually signed the document.
21. The date entered by Beloyan on those Customer Suitability Statements next to the customer signature line may not accurately represent the date that the customer signed the document.
22. During the Review Period, TradeSpot, acting through Beloyan, entered a date next to the customer signature line on certain Agreement to Purchase forms prior to sending the document to the customer for review and signature. The customer, not Beloyan, should have entered the date to ensure that it accurately reflected the date the customer actually signed the document.

23. The date entered by Beloyan on those Agreement to Purchase forms next to the customer signature line may not accurately represent the date that the customer signed the document.
24. There is nothing on the Customer Suitability Statements or Agreement to Purchase forms to indicate that Beloyan – not the customer – completed the dates, or that it may not accurately reflect the date the customer signed the documents.
25. Furthermore, TradeSpot, acting through Beloyan, failed to complete the Customer Suitability Statement and Agreement to Purchase form for the account of customer BAG involving two penny stock transactions. The customer account and transactions were not exempt from the penny stock rules under Section 15(h) or Rule 15g-1. The account and transactions are included in Attachment A to this Complaint.
26. During the Review Period, Beloyan:
 - a. failed to comply with the penny stock rules by not providing customers with his affirmative determination of suitability prior to the customers reviewing and signing the Customer Suitability Statement;
 - b. improperly entered a date next to the customer signature line that did not necessarily represent the date the customer signed the document; and
 - c. failed to comply with the penny stock rules by not providing the required Customer Suitability Statement and Agreement to Purchase form for two penny stock transactions executed for the account of customer BAG.

27. As a result of the foregoing conduct, TradeSpot willfully violated Section 15(h) and Rule 15g-9 of the Exchange Act and FINRA Rule 2010 and Beloyan violated FINRA Rule 2010.

SECOND CAUSE OF ACTION

Falsification of Records

**Violation of FINRA Rule 2010
(TradeSpot and Beloyan)**

28. The Department realleges and incorporates by reference paragraphs 1 through 27 above.
29. FINRA Rule 2010 requires that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade. A broker who falsifies records of a FINRA member violates FINRA Rule 2010.
30. On or about July 31, 2015, TradeSpot, acting through Beloyan, amended three Customer Suitability Statements for customer WFB by changing the date next to Beloyan's signature on the third page of each document.
31. The date on the Customer Suitability Statement next to Beloyan's signature is supposed to represent the date that Beloyan actually signed the document.
32. For each of the three documents, the original date next to Beloyan's signature reflected a date later than the date next to the customer signature on the Agreement to Purchase form.
33. For each of the three Customer Suitability Statements, Beloyan crossed out or otherwise altered the original date to reflect a new date that was earlier than the date

appearing next to the customer signature on the corresponding Agreement to Purchase form.

34. The altered dates on these three Customer Suitability Statements do not accurately reflect when Beloyan originally signed the documents.
35. As a result of the foregoing, TradeSpot and Beloyan violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
Failure to Maintain Accurate Books and Records

**Violation of Section 17(a) of the Exchange Act and Rule 17a-4 Thereunder
(TradeSpot)
and FINRA Rules 4511 and 2010
(TradeSpot and Beloyan)**

36. The Department realleges and incorporates by reference paragraphs 1 through 35 above.
37. Section 17(a)(1) of the Exchange Act provides that each broker-dealer “shall make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the [SEC], by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this chapter.” FINRA Rule 4511 requires that FINRA members “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” A failure to make and maintain accurate Customer Suitability Statements and Agreement to Purchase forms, as required under Rules 15g-9 and 17a-4(b) of the Exchange Act, constitutes a violation of Section 17(a) of the Exchange Act and Rule 17a-4 thereunder and

FINRA Rule 4511. A violation of FINRA Rule 4511 also constitutes a violation of FINRA Rule 2010.

38. During the Review Period, TradeSpot, acting through Beloyan, created and maintained incorrectly prepared Customer Suitability Statements for 11 of the 12 customers listed in Attachment A.³ Because Beloyan entered a date next to the customer signature line prior to sending the documents to certain of the customers for signature, those Customer Suitability Statements may not reflect the dates that customers signed the documents.
39. During the Review Period, TradeSpot, acting through Beloyan, created and incorrectly prepared Agreement to Purchase forms for 11 of the 12 customers listed in Attachment A.⁴ Because Beloyan entered a date next to the customer signature line prior to sending the document to certain of the customers for signature, the Agreement to Purchase forms may not reflect the dates that customers signed the documents.
40. Beloyan's amendment of the dates on three Customer Suitability Statements for customer WFB to earlier dates, as described above, also caused those Customer Suitability Statements to be inaccurate.
41. TradeSpot, acting by and through Beloyan, failed to maintain accurate books and records in connection with its penny stock documents, as described above.

³ As identified in Attachment A, Beloyan did not complete a Customer Suitability Statement for customer BAG.

⁴ As identified in Attachment A, there were no Agreement to Purchase forms completed for customer BAG's penny stock purchases.

42. As a result of the foregoing, TradeSpot willfully violated Section 17(a) of the Exchange Act and Rule 17a-4 thereunder and TradeSpot and Beloyan violated FINRA Rules 4511 and 2010.

FOURTH CAUSE OF ACTION

Deficient Written Supervisory Procedures

**Violation of NASD Rule 3010 and FINRA Rules 3110 and 2010
(TradeSpot and Beloyan)**

43. The Department realleges and incorporates by reference paragraphs 1 through 42 above.
44. NASD Rule 3010(b) requires that each FINRA member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable rules of [FINRA].”
45. FINRA Rule 3110(b) requires that each FINRA member establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.
46. During the Review Period, Beloyan was responsible for implementing and updating TradeSpot’s Written Supervisory Procedures Manual (“WSPs”).
47. During the Review Period, the WSPs included Section 16, entitled Penny Stocks.

48. During the Review Period, the WSPs addressing penny stocks were deficient in the following ways:

- a. The WSPs did not adequately establish procedures for how the Customer Suitability Statement should be completed by TradeSpot, including the affirmative determination of suitability, prior to being sent to the customer for review and signature;
- b. The WSPs did not adequately establish procedures for how customers were to be informed of information required to be disclosed pursuant to Rules 15g-2, 15g-3, 15g-4, and 15g-5, which included disclosure of Schedule 15G, penny stock bid and ask quotes, and Firm and broker compensation; and
- c. The WSPs did not adequately establish procedures for ensuring that transactions in penny stocks were not effected sooner than the time allowed under Rule 15g-9(b)(4)(ii).

49. As a result of the foregoing, TradeSpot and Beloyan violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;

- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondents be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent TradeSpot willfully violated Section 15(h) of the Exchange Act and Rule 15g-9 thereunder and Section 17(a) of the Exchange Act and Rule 17a-4 thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: May 4, 2016



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Attachment A

	Trade Date	Name	Acct #	Stock (Symbol)	Quant. Purchased	Price
1	2/1/2013	RFT	XXXX-X830	Mondial Ventures, Inc. (MNVN)	20,000	0.25-0.31
2	2/25/2013	FFF	XXXX-X442	Mondial Ventures, Inc. (MNVN)	20,000	0.27
3	2/27/2013	FFF	XXXX-X235	Mondial Ventures, Inc. (MNVN)	25,000	0.27-0.31
4	3/12/2013, 3/13/2013	DAG	XXXX-X580	Mondial Ventures, Inc. (MNVN)	20,000	0.24
5	3/14/2013	BAM	XXXX-X322	Mondial Ventures, Inc. (MNVN)	10,000	0.255
6	3/15/2013	BAG *	XXXX-X722	Mondial Ventures, Inc. (MNVN)	10,000	0.28
7	3/15/2013	DHD	XXXX-X248	Mondial Ventures, Inc. (MNVN)	10,000	0.24-0.25
8	3/15/2013	GED	XXXX-X780	Mondial Ventures, Inc. (MNVN)	18,000	0.24-0.28
9	3/15/2013	JBB	XXXX-X035	Mondial Ventures, Inc. (MNVN)	10,000	0.24
10	3/18/2013	DWB	XXXX-X023	Mondial Ventures, Inc. (MNVN)	23,000	0.25
11	4/4/2013	BAG *	XXXX-X722	Mondial Ventures, Inc. (MNVN)	5,000	0.18
12	7/18/2013	JBB	XXXX-X035	Mondial Ventures, Inc. (MNVN)	90,000	0.015
13	8/27/2013	Ro.L	XXXX-X647	Mondial Ventures, Inc. (MNVN)	500,000	0.0025
14	8/27/2013	Ry.L	XXXX-X058	Mondial Ventures, Inc. (MNVN)	500,000	0.0025
15	3/17/2015	WFB	XXXX-X325	STW Resources Holding Corp. (STWS)	25,000	0.7198- 0.7941

* There was no Customer Suitability Statement or Agreement to Purchase form completed by TradeSpot or Beloyan for these transactions.