

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019060754601**

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

RE: Dalmore Group LLC (Respondent)
Member Firm
CRD No. 136352

Pursuant to FINRA Rule 9216, Respondent Dalmore Group LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Dalmore has been registered with FINRA since November 2005. The firm's headquarters is in Woodmere, New York and it has approximately 40 registered representatives in three branches. Dalmore's primary business line is investment banking, mainly dealing with private placements.

Dalmore has no relevant disciplinary history.

OVERVIEW

Between March 2017 and December 2018, Dalmore failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure that the firm complied with its due diligence obligations, in violation of FINRA Rules 3110 and 2010. From April 2017 through February 2019, Dalmore also failed to submit required offering documents to FINRA within 15 calendar days of the date of first sale for 26 private placements, in violation of FINRA Rules 5123 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2019 cycle exam of Dalmore.

FINRA Rules 3110 and 2010 – Failure to Establish and Maintain a Supervisory System and Procedures Reasonably Designed to Ensure Compliance with FINRA Rules

FINRA Rule 3110(a) requires that FINRA members “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” 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 the applicable securities laws and regulations, and with applicable FINRA Rules.” A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade.”

A broker-dealer has a duty to conduct a reasonable investigation concerning any private placement offering that it recommends and sells to its customers. FINRA Regulatory Notice 10-22 explains that the amount and nature of the investigation turns on various factors, including, but not limited to, “the nature of the recommendation, the role of the broker in the transaction, its knowledge and relationship to the issuer, and the size and stability of the issuer.” Regulatory Notice 10-22 further reminds firms that they must have supervisory procedures that are reasonably designed to ensure, among other things, that the firm's personnel investigate each private placement the firm recommends and that they do so in a manner that is sufficiently rigorous to comply with all legal and regulatory requirements. The Regulatory Notice additionally states that broker-dealers should retain records documenting both the process and results of its investigation. Between March 2017 and December 2018, Dalmore's written supervisory procedures required that the Firm, before it recommended a private offering to any customer, conduct an investigation related to several areas of review, including the issuer's management, business prospects, assets, use of proceeds, and the syndicate managers for the offering.

For two private placement offerings that Dalmore recommended and sold to customers between March 2017 and December 2018, the firm failed to conduct and document reasonable investigations of the offerings before recommending these securities to customers. The firm failed to review any business plans or models, prospects for the industry, any existing or potential regulatory restrictions on the business and the competitive position of the issuer. Further, the firm, rather than conducting an independent investigation, relied almost exclusively on documentation and information the issuers provided. As a result, the firm failed to uncover relevant information regarding the issuer. For example, for one offering, the firm failed to identify a securities-related litigation against a key director and officer of the issuer.

Therefore, Dalmore violated FINRA Rules 3110 and 2010.¹

FINRA Rule 5123 – Late Private Placement Filings

FINRA Rule 5123 requires that a member that sells a security in a non-public offering in reliance on an available exemption from registration under the Securities Act of 1933 must: (i) submit to FINRA, or have submitted on its behalf, a copy of any private placement memorandum, term sheet or other offering document, used in connection with such sale within 15 calendar days of the date of first sale, or (ii) notify FINRA that no such offering documents were used. Rule 5123 was implemented to “enhance oversight and investor protection” and provide “more timely and complete information about the private placement activities of firms on behalf of other issuers.”² A violation of FINRA Rule 5123 is also a violation of FINRA Rule 2010.

Between April 2017 and February 2019, Dalmore failed to make timely filings with FINRA related to 26 private placements sold by the firm. Instead of filing offering documents within 15 calendar days of the date of first sale, the firm made its filings from 16 days to 335 days after the date of the first sale.

Therefore, Dalmore violated FINRA Rules 5123 and 2010.

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

- a censure; and
- a \$40,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

¹ The firm implemented new written procedures for enhanced due diligence, including updating its due diligence checklist, in 2019.

² Regulatory Notice 12-40, Private Placements of Securities (Sept. 2012).

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:


- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

3/4/21

Date


Dalmore Group LLC
Respondent

Print Name:

Oscar Seidel

Title:

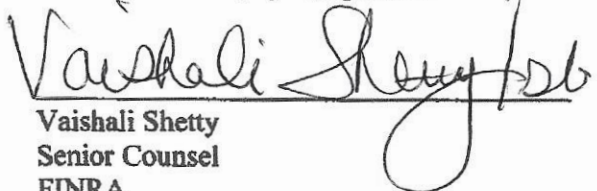
CEO

Accepted by FINRA:

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

3/19/2021

Date


Vaishali Shetty
Senior Counsel
FINRA

Department of Enforcement
Two Jericho Plaza, 3rd Floor
Jericho, New York 11753