

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
Great Point Capital LLC
(CRD No. 114203)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2411

November 22, 2024

I. Introduction

On August 29, 2024, Great Point Capital LLC (“Great Point” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of an August 14, 2024 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that Great Point willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (“SEC Order”).²

¹ See MC-400A and related attachments compiled by CRED, with a cover memorandum dated September 4, 2024, attached as Exhibit 1.

² See SEC Order, *In re Great Point Capital, LLC*, Exchange Act Release No. 100696 (Aug. 14, 2024), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(b)(2), 506(d)(2)(ii), and 602(e) of the Securities Act of 1933 and Rule 503(b)(2) of Regulation Crowdfunding. On August 14, 2024, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re Off-Channel Communications at Registered Entities*, Securities Act Release No. 11298 (Aug. 14, 2024), attached as Exhibit 3.

According to the SEC Order, from at least August 2019, Great Point employees sent and received off-channel communications that related to the Firm's business, and a majority of these written communications was not maintained or preserved by the Firm.³ Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.⁴

The Firm was censured, ordered to cease and desist from committing or causing any future violations, ordered to pay a civil monetary penalty of \$2,000,000, and ordered to comply with certain undertakings.⁵ The Firm represented that it paid the first installment of the penalty on September 10, 2024⁶ and is in compliance with the undertakings, including having retained an independent compliance consultant to complete an initial review of the Firm's policies and procedures.⁷

III. Remedial Measures

In its Application, the Firm represented that it undertook remedial measures prior to the issuance of the SEC Order, including revising its policies and procedures concerning the use of approved communication methods, and began implementing changes to the technology available to its personnel.⁸

The Firm also represented that it has undertaken significant remedial measures in response to the SEC's findings, including hiring an independent compliance consultant, amending its written supervisory procedures ("WSPs"), and continuing to enhance and implement all procedures.⁹ According to the SEC Order, the Commission considered the Firm's prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.¹⁰

IV. Firm Background

The Firm has been a FINRA member since December 17, 2001.¹¹ The Firm is

³ See Exhibit 2 at p. 2, para. 3.

⁴ *Id.* at p. 2, para. 4.

⁵ *Id.* at pp. 5-10.

⁶ See Firm's Discovery Response dated October 9, 2024, attached as Exhibit 4 at FINRA pp. 1, 3-4.

⁷ *Id.* at FINRA p. 1.

⁸ See Exhibit 1 at FINRA 000091.

⁹ *Id.* at FINRA 000091-000092.

¹⁰ See Exhibit 2 at p. 5.

¹¹ See Central Registration Depository ("CRD") Excerpt – Organization Registration Status, attached as

headquartered in Chicago, Illinois with 12 branches (four of which are Offices of Supervisory Jurisdiction).¹² The Firm employs approximately 230 registered representatives (24 of which are registered principals), and 15 non-registered fingerprint employees.¹³ The Firm presently employs three statutorily disqualified individuals.¹⁴

Great Point is approved to engage in the following lines of business:¹⁵ broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; mutual fund retailer; municipal securities broker; broker or dealer selling variable life insurance or annuities; put and call broker or dealer or option writer; broker or dealer selling tax shelters or limited partnerships in primary distributions; non-exchange member arranging for transactions in listed securities by exchange member; trading securities for own account; private placements of securities; effects transactions in commodity futures, commodities, commodity options as broker for others or dealer for own account; engages in other non-securities business.¹⁶

The Firm is a member of the following self-regulatory organizations (“SROs”): Investors Exchange LLC (“IEX”)¹⁷ and Municipal Securities Rulemaking Board (“MSRB”).¹⁸

Recent Examinations

In the past two years, FINRA completed one routine examination of the Firm and two non-routine examinations that resulted in a Cautionary Action Letter (“CAL”). The SEC also completed one examination that resulted in a deficiency letter.

A. FINRA Routine Examination

In September 2024, FINRA completed a routine examination of the Firm that resulted in 15 exceptions, five of which ended in a CAL and 10 were referred to FINRA’s Department

Exhibit 5.

¹² FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on October 23, 2024.

¹³ *Id.*

¹⁴ *Id.* See Appendix A.

¹⁵ See CRD Excerpt – Types of Business and Other Business Descriptions, collectively attached as Exhibit 6.

¹⁶ Per the Firm’s CRD Record, the “other non-securities business” includes: applicant may engage in proprietary futures trading. *Id.* at p. 2.

¹⁷ See Exhibit 5.

¹⁸ Membership in this organizations was verified by FINRA staff through a search of public member directories, last performed on October 23, 2024.

of Enforcement (“Enforcement”) for further review and disposition.¹⁹ The five exceptions that were the subject of the CAL pertained to the Firm’s failure to 1) obtain approval from FINRA for a change in business operations prior to registering with the MSRB, 2) have adequate written supervisory procedures (“WSPs”) for ensuring compliance with the Market Access Rule, 3) maintain supervisory evidence to demonstrate whether the Potential Risk Report e-mail the Firm receives was reviewed, whether any steps were taken in response to the e-mail, and ultimately, whether any remedial action was taken in response to the e-mail, 4) conduct an adequate no-less-than annual review to ensure the effectiveness of its risk management controls and supervisory procedures in connection with market access, and 5) state in the Firm’s Annual Certification that the Firm’s risk management controls and supervisory procedures comply with the requirements of the Market Access Rule.²⁰ In its response, the Firm stated that it filed a Continuing Membership Application and updated its WSPs and its CEO Certification/Annual Certification document.²¹

The 10 exceptions referred to Enforcement pertained to the Firm’s failure to 1) adequately describe the means by which the Firm identifies potentially suspicious activity a part of its AML compliance program, provide guidance on how to review activity identified, or establish criteria for when “no further action,” additional investigation, and/or escalation is warranted, 2) establish, maintain, and enforce WSPs that set forth responsibilities related to the Firm’s private placement business, 3) establish, maintain, and enforce adequate WSPs that were reasonably designed to achieve compliance with Regulation Best Interest, 4) establish, maintain, and enforce adequate procedures reasonably designed to achieve compliance with SEA Rule 17a-14 concerning the filing and distribution of Form CRS, 5) distribute Form CRS to retail customers who accounts were transferred into Great Point, 6) conduct reasonable due diligence for five out of 12 sampled offerings and for numerous investors, 7) timely file a copy of the private placement memorandum, term sheet, or other offering document, including any materially amended versions thereof, used in connection with such sale within 15 calendar days of the date of first sale, 8) implement its WSPs related to its obligations pursuant to the Supplementary Material .01 of FINRA Rule 3270, 9) include the minimum required information in the disclosure of outside business activities on a registered representative’s Form U4, and 10) conduct an adequate supervisory review of the businesses in which it engages that was reasonably designed to assist the Firm in detecting, preventing, and achieving compliance with applicable rules and regulations.²² As of the date of this Notice, the referral is still open with Enforcement.

B. FINRA Non-Routine Examinations

In December 2023, FINRA issued a CAL to the Firm based on the Firm’s failure to

¹⁹ See Disposition Letter for Examination No. 20230770110 dated September 4, 2024, Examination Report dated April 30, 2024, and the Firm’s Response dated May 28, 2024, collectively attached as Exhibit 7.

²⁰*Id.* at FINRA pp. 12-16.

²¹ *Id.* at FINRA pp. 18-25.

²² *Id.* at FINRA pp. 5-12.

establish, maintain, and enforce a supervisory system, including written procedures reasonably designed to ensure that it complied with its obligations under FINRA Rule 3110(e) in violation of FINRA Rules 3110 and 2010.²³

In April 2023, FINRA issued a CAL to the Firm based on the Firm's failure to (1) have a process in place to identify potential professional accounts and, as a result, failed to identify two customer accounts that had met the threshold to be professional, and (2) provide adequate supervision with respect to the proper designation of professional orders.²⁴ In the CAL, FINRA acknowledged that the Firm had taken steps to implement a process to identify potential professional accounts.²⁵

C. SEC Examination

In March 2024, the SEC concluded an examination of the Firm which identified weaknesses in the Firm's funding and liquidity policies, procedures, and internal controls in violation of FINRA Rule 3110.²⁶ The Firm responded in writing describing in detail its enhancement and re-evaluation plans regarding updating the WSPs and reviewing its funding and liquidity policies, procedures, and internal controls.²⁷

Regulatory Actions

In the past two years, Great Point has not been the subject of any recent disciplinary actions, aside from the SEC Order that led to the Application.

V. **Prior SEA Rule 19h-1 Notices**

FINRA previously filed one Rule 19h-1 Notice approving the Firm's continued membership notwithstanding the existence of its statutory disqualification.

On March 24, 2017, FINRA filed a Rule 19h-1 Notice approving Great Point's continued membership notwithstanding the existence of its statutory disqualification stemming from a December 11, 2015 FINRA Order.²⁸ The Commission acknowledged FINRA's Notice

²³ See CAL for FINRA Matter No. 20230789831 dated December 13, 2023, attached as Exhibit 8. The Firm was not required to submit a written response.

²⁴ See CAL for FINRA Matter No. 20210713318 dated April 26, 2023, attached as Exhibit 9. The Firm was not required to submit a written response.

²⁵ *Id.* at p. 1.

²⁶ See SEC Examination Letter, SEC File No. 008-53402 dated March 6, 2024, and the Firm's Response dated March 20, 2024, collectively attached as Exhibit 10.

²⁷ *Id.* at FINRA p. 4.

²⁸ See Prior 19h-1 Notice, *In re Great Point Capital LLC*, SD-2099, (FINRA Mar. 24, 2017), and the SEC's Letter of Acknowledgement dated May 23, 2017, collectively attached as Exhibit 11.

on May 23, 2017.²⁹

VI. The Firm's Proposed Continued Membership with FINRA and Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision ("Supervision Plan" or "Plan") as a condition of its continued membership with FINRA:³⁰

Great Point Capital, LLC (the "Firm") is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission ("SEC" or "Commission") dated August 14, 2024, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder ("SEC Order"). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term "Digital Communication Channels" means all written electronic methods of communication used to conduct Firm business, including but not limited to, text messaging platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including X f/k/a "Twitter," Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. "Digital Communication Channels" encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term "Off-Channel Communications" means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall provide FINRA's Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as

²⁹ *Id.* at FINRA p. 11.

³⁰ *See* Executed Consent to Plan of Heightened Supervision dated October 9, 2024, attached as Exhibit 12.

- specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
 5. Within six months of the SEC's Letter of Acknowledgement ("LOA") in this matter, to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm's current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
 6. The Firm shall conduct the training described in Paragraph 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
 7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
 8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The Firm shall maintain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
 9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.

10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written supervisory policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating Great Point's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Great

Point's securities activities Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firms a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the first installment of the civil monetary penalty was promptly paid.³¹ Additionally, the Firm represented that it is in compliance with the ordered undertakings and promptly hired an independent compliance consultant to complete an initial review and make recommendations for the Firm to adopt.³² Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and its cooperation with the Commission.³³

In evaluating the Firm's Application, FINRA notes that Great Point has no recent regulatory actions filed against it. Additionally, in response to Great Point's recent examination findings and exceptions, the Firm took steps to resolve them, including updating processes, updating its WSPs and reviewing its funding and liquidity policies, procedures, and internal controls. Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications,

³¹ See Exhibit 4 at FINRA pp. 1 and 3-4.

³² *Id.* at FINRA p. 1.

³³ See Exhibit 2 at p. 5, para. 24.

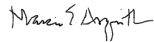
reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves Great Point's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is also registered with another SRO: IEX. This SRO has been provided with the terms and conditions of Great Point's proposed continued membership and it concurs with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

APPENDIX A
Statutorily Disqualified Individuals
Associated with Great Point Capital LLC

[REDACTED]

[REDACTED]

[REDACTED]

³⁴ FINRA staff confirmed with Great Point via e-mail on November 14, 2024 that Mr. Law is not currently working.

EXHIBITS

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1. MC-400A and related attachments compiled by CRED, with a cover memorandum dated September 4, 2024.
2. SEC Order, *In re Great Point Capital, LLC*, Exchange Act Release No. 100696 (Aug. 14, 2024).
3. *In re Off-Channel Communications at Registered Entities*, Securities Act Release No. 11298 (Aug. 14, 2024).
4. Firms Discovery Response dated October 9, 2024.
5. CRD Excerpt – Organization Registration Status.
6. CRD Excerpts – Types of Business and Other Business Descriptions.
7. CAL for Matter No. 20230770110 dated September 4, 2024, Examination Report dated April 30, 2024, and the Firm's Response dated May 28, 2024
8. CAL for FINRA Matter No. 20230789831 dated December 13, 2023.
9. CAL for FINRA Matter No. 20210713318 dated April 26, 2023.
10. SEC Examination Letter, SEC File No. 008-53402 dated March 6, 2024.
11. Prior 19h-1 Notice, *In re Great Point Capital LLC*, SD-2099, (FINRA Mar. 24, 2017), and the SEC's Letter of Acknowledgement dated May 23, 2017.
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