

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JOSE L. CENTENO
(CRD No. 6368188),

Respondent.

Disciplinary Proceeding
No. 2020066079903

Hearing Officer–LOM

HEARING PANEL DECISION

August 28, 2024

In violation of FINRA Rule 2010, Respondent falsely marked his firm’s records to show that he had reviewed 383 exception reports for suspicious trading activity when he had not. For this misconduct, Respondent is suspended for 12 months and fined \$10,000.

Appearances

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

For the Respondent: Jose L. Centeno, *pro se*

DECISION

I. Introduction

Respondent, Jose L. Centeno, was a member of the compliance department of FINRA member firm Canaccord Genuity LLC (“Canaccord” or the “Firm”). In that role, he was responsible for, among other things, daily review of five different types of exception reports to monitor for potential misconduct such as money laundering, market manipulation, and other improper trading. If he saw something suspicious in an exception report, he was supposed to investigate and raise any issues to the head of trading compliance, who would further consider the matter and determine whether to recommend the filing of a suspicious activity report (“SAR”) to the chief compliance officer (“CCO”).

From January 2019 through September 2021 (the “relevant period”), Centeno failed to do this part of his job. He did not conduct daily reviews of the exception reports. Indeed, weeks and months might elapse before he opened the reports. For example, he did not review one of the

exception reports, the “Low Volume” report, for the entire year of 2020. Centeno’s failure to do his job is not, however, the issue in this case. It is the backdrop.

The issue here is what Centeno did to conceal his failure to do his job and whether it was in violation of FINRA Rule 2010. Specifically, he falsified his Firm’s records. At various times during the relevant period, as he admitted, he falsely marked a batch of old exception reports to show that he had reviewed them when he had not. In many cases, he spent only a few seconds marking a report reviewed when it contained hundreds and even thousands of transactions.

Centeno’s most egregious misconduct was in connection with the unreviewed 2020 Low Volume reports. In September 2021, his supervisors asked about his review of these reports and he told them that he had sporadically reviewed them. His supervisors then asked to see documentation. He created the documentation in September 2021 by randomly marking a selection of the 2020 Low Volume reports as reviewed to reflect what he had falsely told his supervisors. He admitted that he created the false documentation to keep his job.

Centeno’s falsification of his review of the exception reports was unethical and dishonest, in violation of FINRA Rule 2010. His misconduct was a serious violation. It left investors and the over-the-counter (“OTC”) securities market—the market in which his Firm operated—vulnerable to potential market abuses and improper trading. He argues that his misconduct must be judged in the context of his Firm’s lack of training, guidance, and appropriate supervision. He also compares his case to various settled cases involving falsification of firm records in which he asserts the misconduct was worse than his. We have considered the evidence and Centeno’s arguments and, as discussed below, determined to suspend him for 12 months and fine him \$10,000.

II. Proceeding

FINRA’s Department of Enforcement (“Enforcement”) filed its complaint against Centeno on October 20, 2023. A two-day hearing was held June 3 and 4, 2024, before a three-person Hearing Panel at FINRA’s offices in New York City. Enforcement introduced exhibits into evidence and presented three witnesses in its case:

- (i) Pravin Khanolkar, the long-time president and chief executive officer (“CEO”) of DbCom Consulting, the third-party vendor that developed the software surveillance system called eQube that Canaccord used, who testified about the way in which the eQube surveillance software worked;
- (ii) Michael Pierce, a FINRA Principal Investigator, who testified about the creation of summary exhibits from the Firm’s exception reports and records relating to review of those reports; and
- (iii) Centeno, who answered questions posed by Enforcement.

In his defense case, Centeno separately testified, explaining in narrative fashion his conduct and the circumstances in which it occurred. Throughout the proceeding, Centeno represented himself.¹

III. Findings of Fact

A. Respondent

Respondent Centeno worked at FINRA from April 2009 to May 2014, first in a clerical role and then as a financial operations examiner.² In 2014, he left FINRA and associated for the first time with a FINRA member firm.³ In July 2017, he left that firm and joined Canaccord as a member of Canaccord's trading compliance group.⁴ Centeno associated with Canaccord as a General Securities Representative in July 2017, a General Securities Principal in June 2018, and a Securities Trader in March 2019.⁵ Canaccord terminated Centeno on September 30, 2021, for failing to perform compliance reviews for a prolonged period of time.⁶ His CRD reflects that at the time of his termination he was under internal review for failing to complete assigned compliance reviews and for the accuracy of related records.⁷

Currently, Centeno is associated with another FINRA member firm, Wedbush Securities Inc. ("Wedbush"), as a General Securities Representative, a General Securities Principal, a Securities Trader, and a Futures Professional.⁸ Although Wedbush is based in Los Angeles, Centeno is in its New York City office as a vice president and compliance officer.⁹

¹ We refer to the hearing testimony with the abbreviation for transcript "Tr." followed by the witness's last name in parentheses and then the identifying pages. For example, we cite Centeno's testimony as "Tr. (Centeno) 208." We refer to stipulations by the abbreviation "Stip." and the paragraph number cited. For example, "Stip. ¶ 3" provides the date that the Firm terminated Centeno. Enforcement offered the only exhibits introduced into evidence. We refer to them by the prefix "CX" for Complainant's exhibits and a unique document number and page number. For example, "CX-9, at 1-17" contains Centeno's record of employment in the Central Registration Depository ("CRD"). Enforcement filed a pre-hearing brief, which is mentioned once here. Enforcement and Centeno both filed post-hearing briefs, referenced here as "Enf. Br." and "Resp. Br."

² Tr. (Centeno) 208-09; CX-9, at 8.

³ Tr. (Centeno) 209; CX-9, at 7-9.

⁴ Stip. ¶ 5.

⁵ Stip. ¶ 1.

⁶ Stip. ¶ 2.

⁷ CX-9, at 12.

⁸ Stip. ¶ 3.

⁹ CX-9, at 3, 8.

B. Jurisdiction

Centeno admits that FINRA has jurisdiction over him because he is currently registered through Wedbush.¹⁰

C. Investigation that Led to the Filing of the Complaint

At the time Canaccord terminated Centeno in September 2021, the Firm was engaged in responding to FINRA inquiries seeking information pursuant to FINRA Rule 8210. Those inquiries concerned, among other things, how the Firm was conducting surveillance reviews for suspicious trading and its procedures for determining whether to file a SAR.¹¹

As discussed below, FINRA continued investigating the Firm and various of the Firm's employees after Centeno's termination. The Firm continued to submit responses to FINRA inquiries. Its responses suggested that Centeno may have committed violations.

In a May 11, 2022 response letter, the Firm reported to FINRA that during 2020 and 2021 Centeno had been assigned to review a report relating to regulation of the National Market System, the "Reg NMS Trade Through" exception report. That report is referred to here as "FID5023." The Firm told FINRA that Centeno had failed to review the report.¹² The Firm also told FINRA that some of the documentation of the Firm's surveillance reviews that had been previously provided to FINRA may have been created after FINRA requested the documentation and should not be considered reliable evidence of such reviews.¹³

In a May 24, 2022 response letter, the Firm declared that Centeno had made changes to documents purporting to reflect evidence of review so as to make it appear that certain trading compliance reviews had been conducted when they had not.¹⁴ In particular, Canaccord informed FINRA staff that a document the Firm had provided to FINRA on September 3, 2021, purporting to show Centeno's review of a particular exception report identified as the "CSTI Low Volume" report did not appear to be accurate.¹⁵

In a June 10, 2022 response letter, Canaccord updated FINRA staff on its internal investigations and conclusions. The Firm specifically "confirmed" that Centeno had not been

¹⁰ Stip. ¶ 4.

¹¹ CX-36, at 8 (March 11, 2022 response letter from the Firm to FINRA, discussing on page 2, among other things, the Firm's December 23, 2020 response to an earlier Rule 8210 request, prior to Centeno's termination).

¹² CX-37, at 4–5. Fidessa was the system that the Firm used to route and execute orders. Tr. (Centeno) 221. Fidessa is abbreviated here as "FID" when referring to certain exception reports, as in "FID5023."

¹³ CX-37, at 4 nn.3–4.

¹⁴ CX-38, at 4.

¹⁵ CX-38, at 4–5. Centeno was not the only Canaccord employee that the Firm identified as fabricating false records of having conducted compliance reviews. CX-38, at 3–7; Tr. (Centeno) 352–53.

completing all his assigned reviews for a substantial period of time.¹⁶ In an August 17, 2022 response letter, the Firm explained that it had terminated Centeno upon learning that he had “altered” Firm records.¹⁷

Twice FINRA staff took Centeno’s testimony in an on-the-record interview (“OTR”), first on October 27, 2021, not long after the Firm terminated him, and then on April 25, 2023.¹⁸

D. Respondent’s Responsibility for Reviewing Exception Reports

This case focuses on five types of Canaccord exception reports that were assigned to Centeno for review: (i) the Wash Sales report; (ii) the Marking-the-Open report; (iii) the FID4025 report; (iv) the FID5023 report; and (v) the Low Volume report. These reports were generated daily, and Centeno was expected to review them daily.¹⁹

E. Importance of Prompt and Thorough Review of Exception Reports

Throughout the relevant period, Canaccord served as a leading liquidity provider in OTC markets. It made markets in thousands of OTC domestic and foreign securities.²⁰ Canaccord serviced wholesale retail order flow in OTC securities, which was directed through broker-dealer intermediaries.²¹ The Firm did not have a direct trading relationship with the individual retail clients who were the source of the order flow, and it did not solicit transactions in OTC securities.²² Most of the Firm’s order flow in OTC securities required immediate handling without time or price discretion.²³

OTC securities tend to be highly illiquid and are frequent targets of potential fraud and market manipulation. Member firms involved in the OTC markets must employ market surveillance systems and policies reasonably designed to monitor and identify patterns of

¹⁶ CX-39, at 3.

¹⁷ CX-40, at 10–11. Centeno’s termination was the first of several terminations of people in the compliance group at Canaccord, including the chief compliance officer (“CCO”). Tr. (Centeno) 355–56.

¹⁸ Tr. (Centeno) 226, 227, 277. In the hearing transcript, the date of the 2023 OTR was sometimes confused with the date of the 2021 OTR. But the two OTRs occurred on October 27, 2021 and April 25, 2023.

¹⁹ Stip. ¶¶ 8–13. The Low Volume report and the CSTI Low Volume report refer to the same report. See, e.g., CX-32, at 7.

²⁰ CX-45, at 1.

²¹ CX-45, at 1.

²² CX-45, at 1.

²³ CX-45, at 1.

potential improper trading practices.²⁴ Centeno acknowledged that OTC securities are riskier than blue chip securities.²⁵

One of the responsibilities of Canaccord's compliance group was to monitor Canaccord's trading business for suspicious activity, including money laundering, market manipulation, and other types of misconduct.²⁶ The trading compliance group was required to review multiple exception reports to monitor, detect, and report improper trading conduct.²⁷ If a member of the trading compliance group observed potentially suspicious activity, that person was required to escalate the suspicious activity to the head of the trading compliance group for further review and inquiry.²⁸ The head of the trading compliance group might then recommend to the CCO that a SAR be filed.²⁹

The five exception reports that are the focus of this case had important functions in the Firm's supervision of its trading and its identification of suspicious conduct. As Centeno understood, the exception reports did not contain every single transaction at the Firm. Rather, they identified exceptions that were potential violations of the securities laws and applicable rules.³⁰ That meant that any of the transactions in an exception report could be a violation and should be investigated.

- Canaccord's Wash Sales report identified transactions in which there was no apparent change in beneficial ownership, which might indicate an intention to create a false appearance of heightened volume or liquidity in the market.³¹ Centeno specifically acknowledged at the hearing that every transaction in a Wash Sale report had already been identified as potentially indicating the presence of a wash sale.³² Centeno knew that an attempt to create fictitious trading volume would violate various federal and regulatory rules,³³ and he

²⁴ Joshua T. White, *Outcomes of Investing in OTC Stocks*, U.S. Securities and Exchange Commission: Division of Economic Risk and Analysis (Dec. 16, 2016), available at https://www.sec.gov/files/white_outcomesotcinvesting.pdf.

²⁵ Tr. (Centeno) 212–213.

²⁶ Stip. ¶ 6.

²⁷ Stip. ¶ 7.

²⁸ CX-36, at 2.

²⁹ CX-36, at 2.

³⁰ Tr. (Centeno) 215.

³¹ Stip. ¶ 19; Tr. (Pierce) 132–37.

³² Tr. (Centeno) 231.

³³ Tr. (Centeno) 229.

admitted it was important to monitor for wash sales to protect the integrity of the markets.³⁴

- The Firm’s Marking-the-Open report flagged trading activity that took place shortly after the market opened and may have been intended to manipulate the price of a security.³⁵ Centeno acknowledged that it was important to monitor for trading activity that might be intended to manipulate the price of a security.³⁶
- Canaccord’s FID4025 report was used to confirm that manually marked riskless principal trades were accurately reported.³⁷
- The Firm’s FID5023 report identified, among other things, every principal fill and agency cross of a client order in a National Market System security at the Firm that was executed at a price outside the inside market. This report was used to confirm, in part, Canaccord’s compliance with SEC Regulation NMS, 17 C.F.R. § 242.611, a rule requiring firms to have policies and procedures to prevent “trade throughs” of protected quotations in NMS securities.³⁸
- Canaccord’s Low Volume report was intended to identify certain transactions in thinly traded securities that were more susceptible to manipulation.³⁹

³⁴ Tr. (Centeno) 229–30.

³⁵ Stip. ¶ 21.

³⁶ Tr. (Centeno) 249–50.

³⁷ Stip. ¶ 23.

³⁸ Stip. ¶ 25–26. Trade throughs are the execution of trades at prices inferior to protected quotations displayed by other trading centers. To be protected, a quotation must be immediately and automatically accessible. SEC Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, at <https://www.sec.gov/divisions/marketreg/rule611faq.pdf>.

³⁹ Stip. ¶ 28.

F. Respondent's Misconduct

1. Overall Pattern

The overall pattern is clear. Although Centeno understood that he was required to review each of the five exception reports on a daily basis⁴⁰ in their entirety⁴¹ and document his review,⁴² he did not conduct daily reviews.⁴³ From the time he joined Canaccord in 2017 until his termination in September 2021, Centeno was responsible for reviewing a total of 3,063 individual exception reports, but he marked only 979 as reviewed.⁴⁴ He purported to conduct those 979 reviews on just 60 review days, 45 of them in 2019.⁴⁵ During all of 2020, he marked exception reports as reviewed on just two days, and in 2021 he marked exception reports as reviewed on just three days.⁴⁶ FINRA's principal investigator, Pierce, concluded from his review of the Firm's records that from late 2019 through 2020 and into 2021 Centeno had failed to mark most of his assigned exception reports as reviewed. Pierce testified that "there were practically no reports reviewed."⁴⁷

Centeno's failure to review numerous exception reports is not the basis for this disciplinary proceeding, but it is relevant. His failure to do his job gave him a reason to falsify the Firm's records.

Enforcement has charged Centeno with falsely marking 383 exception reports as reviewed during the relevant period from January 2019 to September 2021.⁴⁸ As discussed

⁴⁰ Stip. ¶¶ 10–13, 20, 24, 27, 28–29.

⁴¹ He testified that he was supposed to review every transaction in each exception report. "I was told I have to review this [and] if I'm given to review it means in it[]s entirety." Tr. (Centeno) 234. *See also* Tr. (Centeno) 234 (no one told him that he was permitted to sample the exception reports); Tr. (Centeno) 253 (management's expectation was that he would review every single transaction in the Marking-the-Open report); Tr. (Centeno) 263–64 (he assumed that he was responsible for reviewing every transaction in a report assigned to him); Tr. (Centeno) 282 (he was supposed to review every transaction on a FID5023 report; every transaction was a potential regulatory infraction).

⁴² Tr. (Centeno) 216–17.

⁴³ Stip. ¶¶ 10–13, 20–27; Tr. (Centeno) 250–51, 271, 281; Tr. (Pierce) 116–18; CX-3.

⁴⁴ Tr. (Pierce) 116–118; CX-3.

⁴⁵ Tr. (Pierce) 118; CX-3.

⁴⁶ Tr. (Pierce) 118; CX-3.

⁴⁷ Tr. (Pierce) 103.

⁴⁸ The Complaint charged that Centeno falsified 384 exception reports, but Enforcement later dropped one report from its case. Enforcement Pre-Hearing Brief 1. The 383 reports alleged to have been falsified do not include exception reports that Centeno may have marked as reviewed earlier than 2019. It is also unclear whether Centeno marked some reports as reviewed during the relevant period that were not charged as being falsified. The principal investigator on the case testified that a particular Wash Sales report generated on January 30, 2019, was marked as reviewed by Centeno the next day, on January 31. Tr. (Pierce) 99–100. With respect to that one exception report,

below, Centeno hastily batched and marked as reviewed numerous exception reports assigned to him, long after the reports were generated. Many of the reports contained hundreds and even thousands of transactions, but he typically spent only a few seconds on each report. The circumstances show that he did not in fact review the reports, and, in hearing and OTR testimony, Centeno admitted that he falsified records of his purported review.

2. Automated Audit Trail for Four eQube Reports Assigned to Centeno

Four of the five exception reports assigned to Centeno were stored on a third-party proprietary software platform and repository referred to as “eQube.”⁴⁹ Many broker-dealers use eQube to assist in their compliance obligations. It receives data relating to a broker-dealer’s trading activity on third-party systems via an automated process protected from alteration, and then it gives access to the information at a user level to enable daily compliance with supervisory obligations.⁵⁰

eQube generated Canaccord’s Wash Sales, Marking-the-Open, FID4025, and FID5023 reports on the same day as the trades included in the reports, or at most one day after. The Firm expected that these reports would be reviewed on a daily basis; they were made available to Centeno for his review each day.⁵¹ Centeno understood that he was supposed to review the reports on the day they were generated, but he admitted that he did not always do that.⁵² Sometimes he failed to review exception reports for months.⁵³

To review Canaccord’s exception reports via eQube, members of the compliance group, including Centeno, had to log into the eQube platform using their personal login credentials, select the desired report by name and date from a dropdown list of all available reports, and click on a button to open the selected report.⁵⁴ To analyze the transactions in the reports stored in eQube, Centeno, like the others in the compliance group, had to open a report in eQube, flag and investigate any unusual activity, and at his discretion type comments into the notes field.⁵⁵ The eQube system permitted a reviewer to attach screenshots and other evidence relating to the

Centeno did not follow his pattern of delaying review. The 383 charged falsifications are a subset of the total 979 reports that Centeno marked reviewed over the course of his time at the Firm.

⁴⁹ Stip. ¶¶ 9, 14.

⁵⁰ Stip. ¶¶ 12–15; Answer ¶ 14; Tr. (Khanolkar) 30–32, 39.

⁵¹ Stip. ¶¶ 8, 10–13, 15, 20, 22, 24, 27, 29.

⁵² Tr. (Centeno) 250–51, 271.

⁵³ Tr. (Centeno) 271.

⁵⁴ Stip. ¶¶ 16–18; Tr. (Khanolkar) 37–39; Tr. (Centeno) 219–24.

⁵⁵ Stip. ¶¶ 16–18; Tr. (Khanolkar) 37–39; Tr. (Centeno) 219–24.

review, as well as notes and flags.⁵⁶ To document the completion of his review of reports stored in eQube, Centeno had to click a button in eQube labeled “Reviewed.”⁵⁷

The eQube system created an audit trail automatically whenever someone logged in and took any action.⁵⁸ Every user had a unique log in identifier and password.⁵⁹ The audit trail identified each person and what the person did on the system, dating and time stamping the action and the time of log in and log out.⁶⁰ Accordingly, review of the eQube audit trail for the relevant period would show whether someone had marked a particular exception report as reviewed, the date and time of the review, the time spent on the review, and any notes entered into the system about the review.⁶¹ The eQube record was a web-based system that did not permit the alteration of the original exception report or any previous record of a review.⁶² It was a ledger of activity that automatically recorded actions taken in connection with a particular exception report in the order in which they happened.⁶³ The eQube executive who testified, Pravin Khanolkar, referred to it as a “WORM” system, meaning that a record could be written once and then afterward could not be changed. It then became read-only but it could be read many times without alteration.⁶⁴ If a reviewer made a mistake in the review process and wanted to correct it or the reviewer wanted to add information, the system recorded those actions without changing the underlying exception report or the prior review history.⁶⁵ Any time someone took an action with respect to an exception report on eQube, the system automatically created a new record and added it to the audit trail.⁶⁶ No user could alter the audit trail.⁶⁷

Michael Pierce, the FINRA Principal Investigator who testified, reviewed the Firm’s responses to FINRA’s Rule 8210 requests and all the documents in the file for the case.⁶⁸ He looked closely at the eQube audit trail records to determine what they showed about Centeno’s review of the exception reports.⁶⁹ Pierce then prepared summary exhibits that condensed the

⁵⁶ Tr. (Khanolkar) 40.

⁵⁷ Stip. ¶¶ 16–18; Tr. (Khanolkar) 37–41; Tr. (Centeno) 219–24.

⁵⁸ Tr. (Khanolkar) 43–45, 58–59.

⁵⁹ Tr. (Khanolkar) 36.

⁶⁰ Tr. (Khanolkar) 36–37, 43–44, 60–61; Tr. (Pierce) 97.

⁶¹ Stip. ¶¶ 16–18; Tr. (Khanolkar) 37; Tr. (Centeno) 219–24.

⁶² Tr. (Khanolkar) 31–32.

⁶³ Tr. (Khanolkar) 43–45.

⁶⁴ Tr. (Khanolkar) 32.

⁶⁵ Tr. (Khanolkar) 40–46, 55–56, 64–66.

⁶⁶ Tr. (Khanolkar) 37, 39–44, 56–57, 60–61, 65–66.

⁶⁷ Tr. (Khanolkar) 44–46, 52, 58–59.

⁶⁸ Tr. (Pierce) 74–75.

⁶⁹ Tr. (Pierce) 75, 89–92.

relevant information in those voluminous records for the Hearing Panel.⁷⁰ Pierce saw no reason to question the accuracy of the audit trail data.⁷¹ Nor do we.

3. Details of Centeno's Purported Reviews

a. Wash Sales Reports (60 Reports)

Typically, each of Canaccord's daily Wash Sales reports on eQube exceeded 1,000 transactions, and sometimes contained as many as 8,000 transactions.⁷² According to Centeno, in order to review the Wash Sales report, he was required to analyze every transaction in the report to determine whether it was suspicious or potentially not a bona fide transaction.⁷³ To effectively review a Wash Sales report, Centeno would have to look for information outside the report.⁷⁴ The report might show that a brokerage firm customer of Canaccord was on both sides of a transaction, which would then require Centeno to research whether there had been a change of beneficial ownership at the retail customer level. Canaccord's institutional customer might have crossed a buy from one of its customers with a sell from a different customer, which would not be a wash sale because there was a change in the underlying owners of the security. But that could not be determined without investigation beyond the Wash Sales report itself.⁷⁵ Even assuming that most transactions could be analyzed within a second or two, the examples of typical Wash Sales reports in the record would have taken 24 to 40 minutes to review.⁷⁶

Centeno did not review the Wash Sales reports promptly when they were generated. He admitted that he did not review them every day,⁷⁷ and said it was because he did not fully understand what he was looking for and the exception reports were so lengthy.⁷⁸ Some days,

⁷⁰ Tr. (Pierce) 89–93; CX-1; CX-2; CX-3; CX-4; CX-5; CX-6; CX-7; CX-8; CX-17; CX-18; CX-20; CX-24; CX-27; CX-32; CX-48; CX-49; CX-50; CX-51. We look to the Federal Rules of Evidence (“FRE”), which may be considered as useful guidance although they are not binding in a FINRA disciplinary proceeding. *Dep't of Enforcement v. NYPPEX, LLC*, No. 2019064813801, 2024 FINRA Discip. LEXIS 6, at *56 (NAC Apr. 8, 2024), *appeal docketed*, No. 3-21933 (SEC May 7, 2024). FRE 1006 provides that summary exhibits may be used to prove the content of voluminous writings that cannot be conveniently examined by adjudicators. The underlying documents from which a summary is derived must be admissible and must be made available to the other parties. In this case, the requirements of FRE 1006 were met.

⁷¹ Tr. (Pierce) 93.

⁷² CX-4; CX-17; CX-18.

⁷³ Tr. (Centeno) 233–34.

⁷⁴ Tr. (Pierce) 134–38.

⁷⁵ Tr. (Pierce) 134–38, 234–37.

⁷⁶ Tr. (Centeno) 240–42; CX-17 (March 1, 2019 Wash Sales report, 60 pages long, 1,460 transactions, minimum estimated 24 minutes); CX-18 (March 4, 2019 Wash Sales report, 100 pages long, 2,420 transactions, minimum estimated 40 minutes).

⁷⁷ Tr. (Centeno) 230.

⁷⁸ Tr. (Centeno) 231.

weeks, and even months later, he would open a batch of such reports in eQube, type the word “Reviewed” in the notes field for each report, and click the button labeling the report as “Reviewed.”⁷⁹ Centeno quickly marked the reports as reviewed, in a matter of a few seconds, despite the large number of transactions to be examined.⁸⁰

For example, the summary exhibits show that on May 2, 2019, Centeno logged into the eQube system and marked six Wash Sales reports that the system had generated in February—two months before—to certify that he had reviewed the six reports⁸¹. It took him one minute to mark the six reports, an average of ten seconds for each report.⁸² Every one of the six reports contained more than 1,500 transactions, and one report contained over 3,000 transactions.⁸³

Similarly, a few days later, on May 6, 2019, Centeno marked seven reports from April as reviewed.⁸⁴ He averaged nine seconds per report.⁸⁵ That same day he marked ten reports from early March as reviewed, spending an average of 18 seconds per report.⁸⁶ Then, still on May 6, he marked eight reports from late March as reviewed, spending an average of eight seconds per report.⁸⁷ The 25 Wash Sales reports that Centeno marked on May 6 contained 46,024 transactions.⁸⁸

It was not possible for Centeno to have reviewed all the transactions in these reports within the time he spent on each report. For example, the seven reports from April that he marked reviewed on May 6 contained a total of 9,208 transactions.⁸⁹ Presuming that Centeno spent at least one second per transaction, it would have taken him approximately 153 minutes to review those seven reports, much more time than he in fact spent marking the reports.⁹⁰ When Enforcement confronted him with this evidence at the hearing, and asked whether he marked these seven reports as reviewed without in fact reviewing them, Centeno said, “Yes, right, yes.”⁹¹

⁷⁹ CX-17; CX-18; CX-48.

⁸⁰ CX-4; CX-48.

⁸¹ CX-48.

⁸² CX-48.

⁸³ CX-4.

⁸⁴ CX-48.

⁸⁵ CX-48.

⁸⁶ CX-48.

⁸⁷ CX-48.

⁸⁸ CX-4, ninth column summary; CX-48.

⁸⁹ CX-4.

⁹⁰ Tr. (Centeno) 246–47.

⁹¹ Tr. (Centeno) 247.

We have extracted key information from the summary exhibits and created an even more condensed summary of the critical facts, shown below. Because Centeno marked batches of reports containing thousands of transactions as reviewed, one report after another in implausibly short periods of time, it is impossible to believe that he reviewed the reports he marked as reviewed.

Wash Sales Reports Centeno Marked Reviewed				
Date Centeno Marked Batch of Wash Sales Reports as Reviewed ⁹²	Date Range Reports Were Generated ⁹³	Number of Reports Centeno Marked ⁹⁴	Total Transactions in Reports Centeno Marked ⁹⁵	Average Time Spent on each Wash Sales Report Centeno Marked ⁹⁶
05/02/2019	02/21/2019 to 02/25/2019	6 reports	11,810	10 seconds
05/06/2019	03/01/2019 to 04/25/2019	25 reports	46,024	8–18 seconds
06/03/2019	05/06/2019 to 05/31/2019	19 reports	36,342	9 seconds
07/01/2019	06/17/2019 to 06/28/2019	10 reports	18,998	12 seconds
Total		60 reports	55,340 transactions	

Centeno admitted at the hearing that he marked the Wash Sale reports as reviewed even though he was unsure what he was looking for and things didn’t “make sense” to him.⁹⁷ In the

⁹² CX-4; CX-48, second column.

⁹³ CX-4, first column.

⁹⁴ CX-48, third column.

⁹⁵ CX-4, ninth column summary.

⁹⁶ CX-48, fourth column.

⁹⁷ Tr. (Centeno) 231–32.

end, when asked whether he marked all 60 of the Wash Sales reports as reviewed without in fact having reviewed them, Centeno said, “Yes.”⁹⁸

b. Marking-the-Open Reports (72 Reports)

Canaccord’s daily Marking-the-Open reports typically contained more than 20 pages and included more than 500 individual transactions.⁹⁹ Centeno believed that his manager expected him to analyze every transaction in a Marking-the-Open report to determine whether market abuse was present.¹⁰⁰ He could not make that determination based on the Marking-the-Open report alone. He also had to consult the Firm’s Order Management System to obtain additional information about each transaction.¹⁰¹ According to Centeno, it could take 30 seconds to one minute to review a single transaction on the Marking-the-Open report.¹⁰²

Centeno did not promptly review the Marking-the-Open report. He delayed, sometimes as much as two months. Then he would open a batch of reports and mark them as reviewed, one after the other, in rapid succession. Enforcement presented a summary exhibit of the Marking-the-Open reports that Centeno marked as reviewed. It showed that on May 6, 2019, the same day that Centeno marked batches of Wash Sales reports as reviewed, he also marked 44 Marking-the-Open reports from March, April, and the beginning of May as reviewed.¹⁰³ He spent an average of 22 seconds per Marking-the-Open report. After that, roughly once a month, he would mark a batch of Marking-the-Open reports as reviewed.¹⁰⁴ He spent an average of 15 to 45 seconds per report.¹⁰⁵

We constructed another chart below from the summary exhibits in evidence.

⁹⁸ Tr. (Centeno) 248, 262. The Firm’s records show that Centeno did not mark any Wash Sales reports as reviewed from January 16, 2020 to December 23, 2020, Tr. (Pierce) 100–01.

⁹⁹ Tr. (Centeno) 251; CX-20.

¹⁰⁰ Tr. (Centeno) 252–53.

¹⁰¹ Tr. (Centeno) 252–55.

¹⁰² Tr. (Centeno) 256.

¹⁰³ CX-49.

¹⁰⁴ CX-49.

¹⁰⁵ CX-49.

Marking-the-Open Reports Centeno Marked Reviewed				
Date Centeno Marked Batch of Marking-the-Open Reports as Reviewed ¹⁰⁶	Date Range Reports Were Generated ¹⁰⁷	Number of Reports Centeno Marked ¹⁰⁸	Total Transactions in Reports Centeno Marked ¹⁰⁹	Average Time Spent on each Marking-the-Open Report Centeno Marked ¹¹⁰
05/06/2019	03/01/2019 to 05/03/2019	44 reports	16,953	22 seconds
06/03/2019	05/06/2019 to 05/31/2019	11 reports	4,603	38 seconds
07/01/2019	06/18/2019 to 06/21/2019	4 reports	1,573	15 seconds
07/01/2019	06/26/2019 to 06/28/2019	3 reports	1,132	20 seconds
07/22/2019	07/08/2019 to 07/15/2019	6 reports	2,524	40 seconds
09/03/2019	08/05/2019 to 08/08/2019	4 reports	1,743	45 seconds
Total		72 reports	28,528 transactions	

Despite his belief that he was responsible for reviewing all the transactions in the Marking-the-Open reports, Centeno conceded at the hearing that he never reviewed all the transactions in any Marking-the-Open report.¹¹¹ This was partly because it would take too much

¹⁰⁶ CX-5, sixth column; CX-49, second column.

¹⁰⁷ CX-5, first column.

¹⁰⁸ CX-49, third column.

¹⁰⁹ CX-5, ninth column summary.

¹¹⁰ CX-49, fourth column.

¹¹¹ Tr. (Centeno) 255, 258.

time, but he also complained that he had been given no training.¹¹² “To be honest I never had any training on this so, again, it[’]s one of those reports it was handed to me when I started, told to do it, zero discussion with anyone about what it is that I’m looking for or what it is that are we looking at It was handed to me and I was expected to figure out what it is that I should be looking at.”¹¹³ Centeno portrayed himself as lacking any understanding of what he was supposed to be doing when he reviewed the Marking-the-Open reports.¹¹⁴ Centeno admitted at the hearing that he marked each of the 72 Marking-the-Open reports in the summary exhibits as reviewed when he did not actually review them.¹¹⁵

c. FID4025 Report (53 Reports)

Canaccord’s daily FID4025 report was used to confirm that manually marked listed principal trades were accurately recorded.¹¹⁶ The FID4025 report typically consisted of two or three pages and 30 or so individual transactions.¹¹⁷ As with other exception reports, Centeno did not review the FID4025 report daily.¹¹⁸ Centeno said that no one gave him any instruction authorizing him to sample transactions, so he understood that it was his responsibility to analyze every transaction contained in any specific report.¹¹⁹ He admitted, however, that he did not review every transaction in a FID4025 report.¹²⁰

To review a transaction in the FID4025 report, Centeno would have to look up the transaction in the Firm’s Order Management System to confirm that the Firm had the proper number of shares in its inventory in advance of the trade. He could not analyze the FID4025 report by looking only at the information it contained.¹²¹ Centeno agreed that it could take one or two minutes per transaction to do the necessary analysis.¹²²

As Enforcement summarized in a chart, in June 2019 Centeno opened and moved quickly through some 36 FID4025 Reports generated in March, April, May and June 2019, marking them as having been reviewed. But the average number of seconds he spent with each report was

¹¹² Tr. (Centeno) 252–53.

¹¹³ Tr. (Centeno) 253.

¹¹⁴ Tr. (Centeno) 255–58.

¹¹⁵ Tr. (Centeno) 262.

¹¹⁶ Tr. (Centeno) 263; Stip. ¶ 24.

¹¹⁷ CX-6; CX-24.

¹¹⁸ Tr. (Centeno) 271.

¹¹⁹ Tr. (Centeno) 263–64.

¹²⁰ Tr. (Centeno) 272.

¹²¹ Tr. (Centeno) 266–71.

¹²² Tr. (Centeno) 266–68.

no more than 21 seconds.¹²³ When Centeno next marked FID4025 reports as reviewed, on September 4, 2019, he spent an average of 42 seconds on each of 17 reports.¹²⁴ In total there were 455 transactions in the reports he marked on September 4.¹²⁵

Again, Centeno’s certification that he reviewed these reports is not credible. He could not possibly have reviewed all the transactions in the reports in the time that he spent on them.

Our simplified chart below is derived from the summary exhibits. It covers the FID4025 reports that Centeno falsely certified during the relevant period as having been reviewed.

FID4025 Reports Centeno Marked Reviewed				
Date Centeno Marked Batch of FID4025 Reports as Reviewed ¹²⁶	Date Range Reports Were Generated ¹²⁷	Number of Reports Centeno Marked ¹²⁸	Total Transactions in Reports Centeno Marked ¹²⁹	Average Time Spent on each FID4025 Report Centeno Marked ¹³⁰
06/13/2019	03/01/2019 to 04/05/2019	9 reports	249	20 seconds
06/18/2019	05/07/2019 to 06/17/2019	13 reports	435	18 seconds
06/19/2019	05/09/2019 to 06/11/2019	14 reports	578	21 seconds
09/04/2019	06/20/2019 to 08/27/2019	17 reports	455	42 seconds
Total		53 reports	1,717 transactions	

¹²³ CX-50.

¹²⁴ CX-50.

¹²⁵ CX-6.

¹²⁶ CX-5; CX-49, second column.

¹²⁷ CX-50, first column.

¹²⁸ CX-50, third column.

¹²⁹ CX-6, ninth column summary.

¹³⁰ CX-50, fourth column.

In fact, after being confronted at the hearing with a summary exhibit regarding FID4025, Centeno conceded that the evidence made it appear that he marked 53 of these reports as reviewed when he did not actually review them. But he resisted admitting that he had falsely certified his review of these reports.¹³¹ He only admitted that he did not review every single transaction and said that he could not possibly remember from 2019 which reports or transactions he may or may not have reviewed.¹³²

d. FID5023 Report (61 Reports)

Canaccord's daily FID5023 report was used to ensure that the Firm complied with regulations meant to prevent trade throughs of protected quotations. The report identified transactions in which the Firm executed at a price outside of the inside market.¹³³ The purpose of the report was to ensure that investors obtained the best available price.¹³⁴ Centeno had to identify each order's fill price, which was included in the report, and compare it to the bid or ask price, which also was listed in the report, to determine whether it was inside the market price.¹³⁵ Usually, a review of this report could be completed solely using information contained in the report without consulting external sources, and sometimes Centeno could immediately see from the report that there were no material problems with the trades.¹³⁶ But sometimes it would be necessary to look at other information not in the FID5023 report.¹³⁷

In January 2019, Centeno marked 25 FID5023 reports from 2018 as having been reviewed.¹³⁸ He spent an average of 14 seconds on each report he marked.¹³⁹ In February 2019, he marked seven reports from 2018 as reviewed.¹⁴⁰ He spent an average of 43 seconds on each.¹⁴¹ We have no record of Centeno having reviewed any FID5023 reports through the rest of 2019 and 2020.¹⁴²

Centeno only began again to create a record of FID5023 review after he learned in September of 2021 that his supervisors wished to see the record of his review activity. After

¹³¹ Tr. (Centeno) 272–73.

¹³² Tr. (Centeno) 272–79; CX-6.

¹³³ Tr. (Centeno) 279–80; Stip. ¶¶ 25–27.

¹³⁴ Tr. (Centeno) 280–81.

¹³⁵ Tr. (Centeno) 282–83.

¹³⁶ Tr. (Centeno) 285–87.

¹³⁷ Tr. (Centeno) 283–84.

¹³⁸ CX-51.

¹³⁹ CX-51.

¹⁴⁰ CX-51.

¹⁴¹ CX-51.

¹⁴² CX-7; CX-51.

speaking with his CCO, he marked some FID5023 exception reports on September 16 and 20, 2021, as having been reviewed.¹⁴³

The simplified chart below contains critical evidence regarding Centeno’s purported review of 61 FID5023 reports.

FID5023 Reports Centeno Marked Reviewed				
Date Centeno Marked Batch of FID5023 Reports as Reviewed ¹⁴⁴	Date Range Reports Were Generated ¹⁴⁵	Number of Reports Centeno Marked ¹⁴⁶	Total Transactions in Reports Marked as Reviewed ¹⁴⁷	Average Time Spent on each FID5023 Report Marked as Reviewed ¹⁴⁸
01/24/2019	08/08/2018 to 09/04/2018	25 reports	170	14 seconds
02/05/2019	10/22/2018 to 10/30/2018	7 reports	98	43 seconds
09/16/2021	09/01/2021 and 09/15/2021	2 reports	165	90 seconds
09/20/2021	08/02/2021 to 09/16/2021	27 reports	584	13 minutes
Total		61 reports	1,017 transactions	

At the hearing, Centeno equivocated about whether he may have reviewed *some* of the FID5023 reports that he marked reviewed. Enforcement showed him that he admitted in OTR testimony that he had marked the FID5023 reports in 2019 as reviewed even though he had not

¹⁴³ Tr. (Centeno) 293–94; CX-7; CX-51.

¹⁴⁴ CX-7, sixth column; CX-51, second column.

¹⁴⁵ CX-7, first column.

¹⁴⁶ CX-51, third column.

¹⁴⁷ CX-7, ninth column summary.

¹⁴⁸ CX-51, fourth column.

reviewed them.¹⁴⁹ At that point, he admitted at the hearing that he also did not review the FID5023 reports he marked as reviewed in September 2021.¹⁵⁰

e. Excel Spreadsheet – Low Volume Report (137)

The fifth exception report assigned to Centeno was the Low Volume report. It was on the eQube platform for a few months of the relevant period, but beginning in June 2019, reviews of the Low Volume report were documented in a Microsoft Excel spreadsheet that the Firm referred to as the daily compliance checklist.¹⁵¹ That spreadsheet was stored in the trading compliance group’s shared drive. There was a separate daily compliance checklist for each calendar year.¹⁵²

During the relevant period, Centeno was responsible for reviewing the Low Volume report.¹⁵³ Every day, he received an email from Canaccord’s in-house technology team containing an electronic copy of the report. Centeno needed to retrieve the report from the email and review it electronically. Then he was expected to document his review on the daily compliance checklist.¹⁵⁴ It contained separate columns to document the reviews of approximately 50 different exception report types and identified the date of each individual report. There were spaces for entering a reviewer’s initials next to each individual report and report date, to signify that the review had been completed.¹⁵⁵

But there was no place in the daily compliance checklist for Centeno to note his review of the Low Volume Report until sometime in September 2021.¹⁵⁶ Centeno equivocated at the hearing about whether he had reviewed the Low Volume reports prior to September 2021, but he admitted in his October 27, 2021 OTR that up until September 2021 he did not review the Low Volume reports.¹⁵⁷

Around the beginning of September 2021, while working remotely, Centeno received a call from his direct supervisor and the Firm’s CCO.¹⁵⁸ They asked him about his progress conducting his reviews of the Low Volume Report and indicated he should start working his way through the reports. He told his supervisor that he had reviewed the Low Volume Reports

¹⁴⁹ Tr. (Centeno) 290–91.

¹⁵⁰ Tr. (Centeno) 288–94.

¹⁵¹ Tr. (Centeno) 307–08; Stip. ¶¶ 30–32.

¹⁵² Stip. ¶¶ 30–32.

¹⁵³ Stip. ¶ 29.

¹⁵⁴ Tr. (Pierce) 183.

¹⁵⁵ Tr. (Centeno) 307–11.

¹⁵⁶ Tr. (Pierce) 200–02; Tr. (Centeno) 320–21, 355, 362–63.

¹⁵⁷ Tr. (Centeno) 308–318.

¹⁵⁸ Tr. (Centeno) 317.

“sporadically.”¹⁵⁹ His supervisor told him to make certain that the daily compliance checklist reflected his reviews and that the CCO wanted to see the documentation.¹⁶⁰

After talking to his supervisor and the CCO, Centeno accessed the spreadsheet for the daily compliance checklist and added a column where he could signify the completion of his review of the Low Volume report by inserting his initials.¹⁶¹ Then he randomly marked 137 earlier Low Volume reports from January 2020 through December 2020 as having been reviewed.¹⁶² We know that Centeno created the documentation of his purported reviews in September 2021 from the time stamp in the metadata for the spreadsheet.¹⁶³ He acknowledged that he would mark a Low Volume report as reviewed “despite not actually reviewing it.”¹⁶⁴ He did not mark every report as reviewed, however, because he had told his supervisor that he had “sporadically” reviewed these reports.¹⁶⁵ He evidently wanted the record he created in September 2021 to support what he falsely told his supervisors he had been doing the previous year. He acknowledged that he did so because he wanted to “save” his job.¹⁶⁶

At one point in his testimony, Centeno admitted that he added his initials to the spreadsheet in at least some instances without actually reviewing the reports.¹⁶⁷ But he held out the possibility at the hearing that someone else could have altered the document and added his initials in other cases.¹⁶⁸ For that reason, he would only confirm that his initials appeared on the spreadsheet but not that he was the one who placed them on the document.¹⁶⁹ He confessed that he did not have any evidence that someone else was responsible for marking some of the Low Volume reports with his initials, but he insisted it was possible.¹⁷⁰ At his October 27, 2021 OTR, however, he confirmed that he had placed his initials on the spreadsheet to document his review of the 2020 exception reports.¹⁷¹ At another point he admitted that he did not know whether he had seen or reviewed any of the 2020 Low Volume reports that he marked reviewed in

¹⁵⁹ Tr. (Centeno) 317–18.

¹⁶⁰ Tr. (Centeno) 318–19.

¹⁶¹ Tr. (Centeno) 319–21, 323–24.

¹⁶² Tr. (Pierce) 177–79, 185; Tr. (Centeno) 321–22; CX-8.

¹⁶³ Tr. (Pierce) 185–86; Tr. (Centeno) 32–33.

¹⁶⁴ Tr. (Centeno) 321–22.

¹⁶⁵ Tr. (Centeno) 309–10, 319–24, 362–63; CX-8; CX-32, at 7, 13, 19, 27, 34, 48, 55, 62, 69, 76, 80, 84; CX-33; Tr. (Pierce) 199–202.

¹⁶⁶ Tr. (Centeno) 322.

¹⁶⁷ Tr. (Centeno) 325–26.

¹⁶⁸ Tr. (Centeno) 326–28.

¹⁶⁹ Tr. (Centeno) 323–30.

¹⁷⁰ Tr. (Centeno) 352–55.

¹⁷¹ Tr. (Centeno) 331–32.

September 2021.¹⁷² He marked reports as reviewed with his initials anyway.¹⁷³ Centeno explained that he was in a panic and thought he was going to lose his job.¹⁷⁴

The 137 Low Volume reports Centeno marked as reviewed in September 2021 were all generated the year before, in 2020.¹⁷⁵ Because Centeno was supposed to conduct daily reviews of his assigned exception reports, the marking of the reports a year later would be false regardless of whether he looked at any of the underlying transactions. Marking the previous year's reports in 2021 would make it appear—falsely—that he monitored the trading in real time so that action could be taken if a suspicious transaction were uncovered.

4. Credibility

Overall, Centeno's hearing testimony was vague, equivocating, and speculative. When asked if he had inserted his initials on the Low Volume report, he responded, "I may not have. I may have. I may not have."¹⁷⁶ He evasively said, "We are getting into semantics."¹⁷⁷ He suggested that he looked at some of the Low Volume reports but did not "disposition" alerts because "I [did] not know what I would be looking for" and "it was humanly impossible to disposition every alert for every report assigned to me."¹⁷⁸

Similarly, Centeno acknowledged that the eQube audit trail evidence made it look like he marked exception reports as reviewed without reviewing the reports, but he refused to admit that is what he did. Instead, he asserted that he could have reviewed some of the transactions, but it was too long ago to identify which transactions or reports he reviewed.¹⁷⁹

Centeno also concocted a farfetched explanation for some of the false records. When confronted with his initials showing review of the Low Volume report, Centeno said, "It could have potentially have been someone else" who marked his initials on the report.¹⁸⁰ While he admitted initialing some of the records "at some point," he refused to confirm that he was responsible for all of the false records of review of the Low Volume report.¹⁸¹ He asserted that others at the Firm were falsifying review records and someone else could have added his initials

¹⁷² Tr. (Centeno) 363.

¹⁷³ Tr. (Centeno) 362–64.

¹⁷⁴ Tr. (Centeno) 363.

¹⁷⁵ Tr. (Centeno) 363; CX-8.

¹⁷⁶ Tr. (Centeno) 327.

¹⁷⁷ Tr. (Centeno) 330.

¹⁷⁸ Tr. (Centeno) 330.

¹⁷⁹ Tr. (Centeno) 272–79.

¹⁸⁰ Tr. (Centeno) 326. *See also* Tr. (Centeno) 327–28, 349–53.

¹⁸¹ Tr. (Centeno) 328 ("I don't deny I did it at some point, but whether every single one of those was me, I can't confirm.").

to the column for documenting review of the Low Volume report on the daily compliance checklist kept on a shared Excel spreadsheet.¹⁸² He proffered no reason, however, why anyone else would want to make it seem that Centeno had done the reviews he was supposed to have done. He admitted that he had no evidence that someone else wrote his initials on the checklist.¹⁸³

Further undermining his credibility, Centeno’s hearing testimony was sometimes inconsistent with his OTR testimony on the critical question whether he in fact reviewed the exception reports. For example, in OTR testimony Enforcement asked Centeno how often he reviewed the Low Volume reports prior to marking some reviewed in September 2021. He admitted, “I was not really reviewing them.”¹⁸⁴ At the hearing, however, he was evasive. He said, “I wasn’t really reviewing them because I found them to be useless . . . Well, when I say not really, I guess that means kind of sort of.”¹⁸⁵ The OTR testimony seemed clear, but he tried to muddy his answer to the question at the hearing.

To the extent that Centeno claimed he “might” have reviewed some of the exception reports assigned to him—which meant at least some of the reports he marked reviewed were not falsified—we find his testimony not credible and not consistent with the other evidence.

IV. Conclusions of Law

A. Standard of Proof

It is well established that the burden of proof is met in a FINRA disciplinary proceeding such as this if Enforcement establishes its allegations of wrongdoing by a preponderance of the evidence.¹⁸⁶ The preponderance standard requires only that the complainant “prove it is more likely than not” that the allegations are true.¹⁸⁷ Essentially, the balance of the evidence must tip at least slightly in favor of the complainant.

¹⁸² Tr. (Centeno) 351–54.

¹⁸³ Tr. (Centeno) 326–28, 354–55.

¹⁸⁴ Tr. (Centeno) 310.

¹⁸⁵ Tr. (Centeno) 310–11.

¹⁸⁶ See, e.g., *Joseph R. Butler*, Exchange Act Release No. 77984, 2016 SEC LEXIS 1989, at *16 (June 2, 2016) (preponderance of the evidence standard applies in FINRA disciplinary proceedings); *David M. Levine*, Exchange Act Release No. 48760, 2003 SEC LEXIS 2678, at *25 n.42 (Nov. 7, 2003) (preponderance of the evidence standard applies in self-regulatory organizations’ disciplinary proceedings); *Dep’t of Enforcement v. Lykos*, No. 2018059510201, 2021 FINRA Discip. LEXIS 33, at *25 n.12 (NAC Dec. 16, 2021) (preponderance of the evidence standard applies in FINRA disciplinary proceedings), *appeal docketed*, No. 3-20703 (SEC Jan 10, 2022).

¹⁸⁷ See *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 328-29 (2007) (stating that, at trial, proof of scienter under the preponderance standard requires showing that allegation is “more likely than not”); *United States v. Gumesindo Montano*, 250 F.3d 709, 713 (9th Cir. 2001) (under the preponderance of the evidence standard, the relevant facts must be shown to be more likely than not); *Days Inn Worldwide, Inc. v. Sonia Invs.*, No. 3:04-CV-

And circumstantial evidence can tip that balance. As the Supreme Court has stated, “circumstantial evidence can be more than sufficient” to prove a claim in a civil action.¹⁸⁸ Circumstantial evidence may be used in a FINRA disciplinary proceeding,¹⁸⁹ and “circumstantial evidence may be probative, reliable, and sufficient to prove a violation” of FINRA rules.¹⁹⁰ Where circumstantial evidence supports a conclusion and implausible testimony is uncorroborated, adjudicators may consider the conclusion proven by a preponderance of the evidence.¹⁹¹

B. Elements of a Rule 2010 Violation

FINRA Rule 2010 requires that a member firm and any associated person of a member firm “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of business.¹⁹² The rule is “designed to enable [FINRA] to regulate the ethical standards of its members” and “encompass[es] business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security.”¹⁹³ Business-related conduct violates FINRA Rule 2010 when it is unethical or is undertaken in bad faith.¹⁹⁴ Conduct is unethical if it does not conform to moral norms or standards of professional conduct;¹⁹⁵ and bad faith is defined as “dishonesty of belief or purpose.”¹⁹⁶ The determination of whether conduct violates Rule 2010 involves an examination of whether that conduct reflects negatively on a respondent’s capacity to comply with the regulatory requirements of the

2278-D, 2007 U.S. Dist. LEXIS 29689, at *11 n.6 (N.D. Tex. Apr. 23, 2007) (preponderance of the evidence means to prove the claim or element is more likely than not).

¹⁸⁸ *Herman & MacLean v. Huddleston*, 459 U.S. 375, 390 n.30 (1983).

¹⁸⁹ *Butler*, 2016 SEC LEXIS 1989, at *18 n.18.

¹⁹⁰ *Lykos*, 2021 FINRA Discip. LEXIS 33, at *22 (quoting *Dep’t of Enforcement v. Braeger*, No. 2015045456401, 2019 FINRA Discip. LEXIS 55, at *32 (NAC Dec. 16, 2019)).

¹⁹¹ See *Trevor Michael Saliba*, Exchange Act Release No. 99940, 2024 SEC LEXIS 852, at *10–15 (Apr. 11, 2024) (holding under preponderance standard that circumstantial evidence supported finding that respondent knew that memoranda were false when he submitted them to FINRA, and respondent’s implausible and uncorroborated testimony was insufficient to counter that circumstantial evidence).

¹⁹² FINRA Rule 2010 speaks only of the obligations of FINRA member firms, but FINRA Rule 0140(a) provides that any person associated with a member shall have the same duties and obligations as the member under FINRA’s rules.

¹⁹³ *Stephen Grivas*, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173, at *10, 17 (Mar. 29, 2016) (internal quotations deleted) (citing *Vail v. SEC*, 101 F.3d 37, 39 (5th Cir. 1996)).

¹⁹⁴ *Kimberly Springsteen-Abbott*, Exchange Act Release No. 88156, 2020 SEC LEXIS 2684, at *28 (Feb. 7, 2020) (“[W]here the alleged violation is not premised on the violation of another FINRA rule, [the question to be determined is] whether the respondent has acted unethically or in bad faith.”); *Blair Alexander West*, Exchange Act Release No. 74030, 2015 SEC LEXIS 102, at *20 (Jan. 9, 2015) (disciplinary action under Rule 2010’s predecessor is warranted for conduct that is unethical or done in bad faith), *aff’d*, 641 F. App’x 27 (2d Cir. 2016).

¹⁹⁵ *Saliba*, 2024 SEC LEXIS 852, at *15; *Springsteen-Abbott*, 2020 SEC LEXIS 2684, at * 28.

¹⁹⁶ *Edward S. Brokaw*, Exchange Act Release No. 70883, 2013 SEC LEXIS 3583, at *21 (Nov. 15, 2013).

securities business and to fulfill the fiduciary duties that come with handling other people's money.¹⁹⁷

C. Centeno's Violation of FINRA Rule 2010

We conclude that Centeno falsely marked the 383 exception reports as reviewed when they were not. Both circumstantial and direct evidence support this conclusion. We further conclude that this conduct was unethical and dishonest, in violation of FINRA Rule 2010.

The eQube audit trail showed that Centeno marked as reviewed batches of exception reports containing numerous transactions in a matter of seconds. The transactions in each individual report were so numerous that it was virtually impossible he could have reviewed the report. In his hearing testimony, Centeno admitted that he did not review the Wash Sales reports or the Marking-the-Open reports that he marked as reviewed. He also admitted that he did not review at least some of the FID4025 and FID5023 reports he marked as reviewed. In his OTR testimony, he admitted that he did not review any of the FID4025 or FID5023 reports he marked as reviewed. Although he vaguely suggested he might have looked at some transactions in some exception reports, he proffered no evidence or specific memory of reviewing any of the exception reports charged in this case. He admitted that he did not review all the transactions in the reports although he also testified that he was expected to review the reports in their entirety.¹⁹⁸ The totality of the evidence points in one direction—during the relevant period, Centeno falsely marked four types of exception reports in eQube as reviewed when in fact he did not review them.

With respect to the Low Volume report on the daily compliance spreadsheet, Centeno testified that around early September 2021 his supervisors asked to see documentation of his review activities. After that discussion, he created a column on the spreadsheet where he could put his initials to show that he had reviewed those exception reports. He then randomly marked some Low Volume reports as reviewed—more than a year after they were generated. He did so to support his false statement to his supervisors that he had been sporadically reviewing those reports all along. He claimed, but only vaguely and without corroboration, that he “may” have reviewed some transactions in some of the reports and that some other person at the Firm may have entered his initials to falsify his review of some of these exception reports. He provided no reason why anyone would do that.¹⁹⁹ The preponderance of the evidence compels the conclusion that Centeno falsified his review of the Low Volume reports.

¹⁹⁷ See *Dep't of Enforcement v. Mantei*, No. 2015045257501, 2023 FINRA Discip. LEXIS 10, at *23, 26–27 (NAC May 30, 2023), *appeal docketed*, No. 3-21516 (SEC June 27, 2023); *Daniel D. Manoff*, 2002 SEC LEXIS 2684, at *13 (Oct. 23, 2002).

¹⁹⁸ See *supra* at 8. See also Tr. (Centeno) 358–59. When asked what in his mind it meant to review the exception reports, he said, “I was representing that I had reviewed the report even though I knew that it wouldn’t be possible for me to review the amount of transactions that were included in that report”

¹⁹⁹ See *supra* at 23.

Centeno’s falsification of the Firm’s records was both unethical and dishonest, in violation of FINRA Rule 2010. His misconduct was contrary to moral norms because it is obvious that falsification of Firm records is wrongful conduct. “Deliberate falsification of a document is inherently dishonest”²⁰⁰ Centeno’s misconduct also was contrary to the standards of professional conduct because it defeated the purpose of surveillance for suspicious trading, impaired the Firm’s ability to monitor for improper trading, and impeded regulators in investigating the Firm’s compliance. By pretending that he had reviewed the exception reports when in fact he had not, Centeno allowed potentially violative conduct to go unchecked. “Falsifying documents is dishonest and suggests that [a respondent is] willing to bend the rules where regulation is concerned to suit [his] own needs”²⁰¹ Falsification of records relating to surveillance for improper trading is particularly egregious because it conceals irregularities and runs “counter to the very surveillance that the recordkeeping requirements are designed to promote.”²⁰² “The entry of accurate information on official firm records is a predicate to [FINRA]’s regulatory oversight of its members. It is critical that associated persons, as well as firms, comply with this basic requirement.”²⁰³

D. Centeno’s Meritless Defense

Centeno attempted to shift blame for his misconduct. He complained about the Firm and his supervisors, saying he had no training or guidance on how to review the exception reports.²⁰⁴ As a result, he confessed, he did not know what he was supposed to do with the exception reports.²⁰⁵ He conveyed the sense that he was overwhelmed and implied that he did the best he could with the task of reviewing the exception reports. He said the task sometimes “wasn’t humanly possible.”²⁰⁶ He also said that reviewing the exception reports was not his only job duty at the Firm, as if to justify his failure to perform the exception report reviews assigned to him.²⁰⁷

²⁰⁰ *Dist. Bus. Conduct Committee v. Pack*, No C9A930022, 1994 NASD Discip. LEXIS 67, at *13 (NASD DBCC May 5, 1994).

²⁰¹ *Dep’t of Enforcement v. Fillet*, No. 2008011762801, 2013 FINRA Discip. LEXIS 26, at *64 (NAC Oct. 2, 2013); *Dep’t of Enforcement v. Cohen*, No. EAF0400630001, 2010 FINRA Discip. LEXIS 12, at *64–65 (NAC Aug. 18, 2010).

²⁰² *Cohen*, 2010 FINRA Discip. LEXIS 12, at *65.

²⁰³ *Id.* at *37. *See also Edward Mawod & Co.*, 1977 SEC LEXIS 1811, at *16 n.39 (May 6, 1977) (finding that the maintenance of accurate books and records is key to regulation), *aff’d*, 591 F.2d 588 (10th Cir. 1979).

²⁰⁴ Tr. (Centeno) 346–50.

²⁰⁵ Tr. (Centeno) 346–48.

²⁰⁶ Tr. (Centeno) 223. *See also* Tr. (Centeno) 347–49.

²⁰⁷ Tr. (Centeno) 264–65, 356–57. *See also* Resp. Br. 1. (“Mr. Centeno had several job functions—one of those functions being the review of daily exception reports assigned to him. In addition . . . Mr. Centeno was also responsible for conducting research in response to regulatory inquiries, formally responding to those regulatory inquiries, and researching and resolving issues related to the Firm’s order management systems.”).

The evidence regarding the overwhelming nature of the task of reviewing the exception reports leads to a conclusion that Centeno probably did not intend—the conclusion that he could not possibly have reviewed the exception reports that he marked in a matter of seconds as reviewed. His certification that he had reviewed the exception reports was almost certainly false.

In any event, a respondent may not blame others for his misconduct.²⁰⁸ Centeno’s repeated attempts to shift blame reveal that he “either misunderstands [his] duties as a compliance professional or does not recognize [his] regulatory obligations.”²⁰⁹ It was incumbent on Centeno to seek guidance if he did not understand how to do his job. When asked what he did to obtain a better understanding of what he should be doing, he said he reached out to the CCO to explain that the Low Volume report “wasn’t really working,” but he never got any feedback.²¹⁰ Centeno vaguely suggested that he had attempted to improve the compliance function but was unsuccessful.²¹¹ Even if Centeno was not given appropriate guidance, and even if he attempted but failed to improve the process of reviewing the exception reports assigned to him, none of that justified his falsification of the Firm’s records.

Centeno hinted that the Firm may have engaged in wrongdoing by misleading FINRA during its investigation. He asserted that the Firm delivered his falsified record of Low Volume report reviews to FINRA “possibly knowing it wasn’t done.”²¹² He also asserted that there was a “systemic failure in supervision.”²¹³ Regardless of the potential culpability of others, however, the only issue here is whether Centeno violated FINRA Rule 2010 when he falsified the Firm’s records to show that he had reviewed the exception reports when he had not. We conclude that he did.

²⁰⁸ *Springsteen-Abbott*, 2020 SEC LEXIS 2684, at *33–34, n.37; *Mitchell H. Fillet*, Exchange Act Release No. 79018, 2016 SEC LEXIS 3773, at *18 (Sept. 30, 2016).

²⁰⁹ *Dep’t of Enforcement v. Capellini*, No. 2020066627202, 2023 FINRA Discip. LEXIS 11, at *67 (OHO July 14, 2023), *appeal docketed* (NAC Aug. 4, 2023). *See also Dep’t of Enforcement v. Makkai*, No. 2018058924502, 2023 FINRA Discip. LEXIS 2, at *23 (NAC Jan. 6, 2023) (respondent’s “attempts to blame others for his misconduct calls into question whether he appreciates the seriousness of his misconduct and his responsibility to comply with high standards of commercial honor.”).

²¹⁰ Tr. (Centeno) 350–51.

²¹¹ Tr. (Centeno) 360–62.

²¹² Tr. (Centeno) 364–65.

²¹³ Tr. (Centeno) 365. *See also* Resp. Br. 1–2 (arguing that Mr. Centeno was not blaming the Firm at the hearing but only “highlight[ing] the culture of compliance at [the Firm] (or lack thereof)” and accusing the Firm of “sabotaging and terminating multiple employees” rather than remediating the Firm’s “overall systemic failures”). In his post-hearing brief, Centeno noted that years passed before anyone at the Firm questioned him about his review of the exception reports. He seemed to suggest that this lack of oversight created a sense that review of the exception reports was not urgent, important, or useful. Resp. Br. 1–2.

V. Sanctions

A. Guidelines

FINRA conducts disciplinary proceedings like this one as part of its regulatory mission to protect investors, strengthen market integrity, and build public confidence in the financial markets. When necessary and appropriate, FINRA imposes sanctions in such proceedings. The imposition of sanctions is intended to protect investors, other member firms and associated persons, and to promote the public interest. FINRA has developed Sanction Guidelines (“Guidelines”) to provide adjudicators with guidance on the principles to be applied and the factors to be considered in all cases. For some typical securities-industry violations, the Guidelines suggest a specific range of appropriate sanctions. Where a violation is not specifically addressed in the Guidelines, adjudicators are encouraged to look to the Guidelines for analogous violations.²¹⁴

B. Application of Guidelines to this Case

Enforcement charged Centeno with a stand-alone FINRA Rule 2010 violation, which has no specific suggested sanctions. Accordingly, we look to the sanctions for the most analogous violations. Enforcement suggests that the Guidelines applicable to recordkeeping violations under FINRA Rule 4511 are the most analogous to the misconduct found here. We agree.

For violations of FINRA Rule 4511, where aggravating factors predominate, the Guidelines recommend a suspension of up to two years or a bar, and a fine of \$2,500 to \$40,000.²¹⁵ The specific Principal Considerations relevant to sanctions for recordkeeping violations are:

- (i) the nature and materiality of inaccurate or missing information;
- (ii) the type and number of records at issue;
- (iii) whether the inaccurate or missing information was entered or omitted intentionally, recklessly, or as the result of negligence;
- (iv) whether the violations occurred over an extended period of time or involved a pattern or patterns of misconduct; and

²¹⁴ FINRA Sanction Guidelines (“Guidelines”) at 1 (Mar. 2024), https://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf. The NAC has outlined General Principles Applicable to All Sanction Determinations (“General Principles”) and itemized Principal Considerations in Determining Sanctions (“Principal Considerations”) to assist adjudicators in crafting sanctions appropriate to a specific case.

²¹⁵ Guidelines at 91.

- (v) whether the violations allowed other misconduct to occur or to escape detection.²¹⁶

In this case, all five factors weigh in favor of substantial sanctions:

- (i) The false information that Centeno entered into the Firm's records made it appear that the Firm was surveilling for suspicious trading when it was not. And the Firm shared the false information with regulators at FINRA, necessarily impeding their investigation.
- (ii) Thousands of transactions that had been identified as potential trading violations and put onto exception reports went unexamined even though Centeno marked the reports to show he had reviewed them. Given the nature of the Firm's business—trading in OTC securities, a market more susceptible to trading abuses than the markets for ordinary stocks and bonds—the false appearance of monitoring for suspicious trading is deeply concerning.
- (iii) Centeno intentionally entered the false information in the Firm's records. He did so to conceal his failure to perform the daily reviews for which he was responsible.
- (iv) Centeno's misconduct extended over a long period of time and was part of a pattern of misconduct. For a period of three years, he falsely certified his review of five different types of exception reports.
- (v) We do not know what underlying misconduct may have occurred and escaped detection because of Centeno's multiple false review marks. But there were over 85,000 transactions in the various exception reports that he falsely marked reviewed.²¹⁷ That is a large number of transactions that were already flagged as potential problems.

Besides the five specific factors relating to records violations, other mitigating and aggravating factors are relevant.

First, Centeno said several times that he accepted responsibility for his actions, and he admitted that he did not in fact review many—if not all—the exception reports he marked reviewed.²¹⁸ Toward the end of the hearing he was open about his misconduct. He bluntly stated,

²¹⁶ *Id.*

²¹⁷ See *supra* at 13 (55,340 transactions in the Wash Sales reports); at 15 (28,528 transactions in the Marking-the-Open reports); at 17 (1,717 transactions in the FID4025 reports); at 19 (1,017 transactions in the FID5023 reports); and at 21 (137 transactions in the Low Volume reports).

²¹⁸ Guidelines at 7 (Principal Consideration No. 2).

“[Y]es, I falsified some documents”²¹⁹ In certain circumstances, adjudicators can view acceptance of responsibility as mitigating. It can signal that a respondent understands the wrongful nature of his misconduct and will not engage in it in the future.²²⁰

In this case, however, Centeno’s acknowledgement of his wrongdoing is counterbalanced by other testimony where he attempted to shift blame. Among other things, he testified that maybe someone else could have marked the relevant reports as reviewed. Centeno lacked any basis, however, for suggesting that possibility. As previously mentioned, he also repeatedly cited the lack of training and supervision while he was at the Firm. While the panel believes that the Firm could have improved training and supervision, the Firm’s failures do not justify or ameliorate Centeno’s decision to falsely mark books and records as reviewed when, as he admits, he did not conduct the required reviews. Overall, Centeno’s comments diminish our confidence that he fully understands the inherently unethical and dishonest nature of his misconduct and the importance of avoiding it in the future. We acknowledge that his admission that he engaged in the misconduct is somewhat mitigating, but it is dampened by his attempts to spread blame.²²¹

Second, we find it aggravating that Centeno previously worked as an examiner at FINRA. His experience from the regulatory vantage point should have informed his conduct. He knew that regulators rely on the truth and accuracy of member firm records in conducting examinations. He knew that falsification of those records could never be acceptable conduct because false records undermine the efforts of regulators to uncover misconduct. We also note that Centeno, since 2019, is registered as a General Securities Principal, which empowers him to oversee operational, compliance, trading, and sales personnel. He should know that the falsification of firm records is inconsistent with the duty to observe high standards of commercial honor and just and equitable principles of trade. To the extent that he does not fully understand the unethical and dishonest nature of his misconduct, Centeno poses a risk of future misconduct.

C. Sanctions Imposed

In his post-hearing brief, Centeno primarily focuses on sanctions. He cites various settled cases involving the falsification of records and contends that the misconduct in many of those cases was worse than his misconduct here, arguing for more lenient sanctions.²²² He claims that the lengthiest suspension in those cases was for six months.²²³

²¹⁹ Tr. (Centeno) 364.

²²⁰ *Dep’t of Enforcement v. Doni*, No. 2011027007901, 2017 FINRA Discip. LEXIS 46, at *44–48 (NAC Dec. 21, 2017) (where respondent exhibited true remorse, never attempted to justify his misconduct or blame others, and testified that he now understands the serious nature of his misconduct, lesser sanctions were appropriate).

²²¹ *Id.* See also *Dep’t of Enforcement v. DiFrancesco*, Exchange Act Release No. 66113, 2012 SEC LEXIS 54, at *34 (Jan. 6, 2012); *John B. Busacca, III*, Exchange Act Release No. 63312, 2010 SEC LEXIS 3787, at *39–40 (Nov. 12, 2010); *Alvin W. Gebhart, Jr.*, Exchange Act Release No. 58951, 2008 SEC LEXIS 3142, at *43 (Nov. 14, 2008).

²²² Resp. Br. 2–27.

²²³ Resp. Br. 2.

As Enforcement asserts in its post-hearing brief, “the appropriate sanction depends on the facts and circumstances of each individual case and cannot be precisely determined by comparison with action taken in other proceedings.”²²⁴ In a fully litigated case, comparisons to sanctions in settled cases are particularly inappropriate.²²⁵ Pragmatic considerations may justify the acceptance of lesser sanctions in negotiating a settlement. In settling, the parties may avoid expensive and time-consuming adversarial proceedings and achieve certainty more quickly. Lesser sanctions may provide a respondent with an incentive to settle.²²⁶

In any event, the factual premise for Centeno’s argument is incorrect. Centeno notes that the respondents in many of the settled cases falsified firm records for purposes of monetary gain.²²⁷ He distinguishes his case from those cases by saying that he had nothing to gain from falsifying his Firm’s records.²²⁸ That is not true. As Centeno himself admitted, he falsified his review of the Low Volume reports because he wanted to keep his job.²²⁹ In other words, he wanted to keep being compensated.

Finally, and most importantly, none of the settled cases cited by Centeno involved misconduct in a supervisory or compliance oversight capacity. Some of the respondents in the cited cases were registered representatives who marked order tickets as unsolicited when they were solicited.²³⁰ Other respondents falsified representative codes to direct commissions to the respondents to which they were not entitled. Sometimes these respondents engaged in the misconduct based on a mistaken belief that an agreement entitled them to a larger share of the commissions.²³¹ A few respondents filled in blank forms that had been signed in advance by

²²⁴ *Springsteen-Abbott*, 2020 SEC LEXIS 2684, at *39; *Dep’t of Enforcement v. Mellon*, No. 2017052760001, 2022 FINRA Discip. LEXIS 11, at *33 (NAC Oct. 18, 2022), *application for review dismissed*, Exchange Act Release No. 97623, 2023 SEC LEXIS 1440 (May 31, 2023).

²²⁵ *Newport Coast Sec., Inc.*, Exchange Act Release No. 88548, 2020 SEC LEXIS 917, at *34 (Apr. 3, 2020); *Mellon*, 2022 FINRA Discip. LEXIS 11, at *33.

²²⁶ *Kent M. Houston*, Exchange Act Release No. 71589, 2014 SEC LEXIS 614, at *33 (Feb. 20, 2014); *Dep’t of Enforcement v. C.L. King & Assocs., Inc.*, No. 2014040476901, 2019 FINRA Discip. LEXIS 43, at *136–37 (NAC Oct. 2, 2019).

²²⁷ Resp. Br. 2.

²²⁸ Resp. Br. 2.

²²⁹ Tr. (Centeno) 322.

²³⁰ See, e.g., *Arun K. Aggarwal*, FINRA Case No. 2022076586001; *Robert W. Clayton, Jr.*, FINRA Case No. 2023079976201; *Doron Kachavi*, FINRA Case No. 2021071099403; *Andre Krause*, FINRA Case No. 2023080625001; *Richard Leininger*, FINRA Case No. 2023079974701; *Michael G. Mancinelli*, FINRA Case No. 2022073661801; *Christopher Nelson*, FINRA Case No. 2020065627301; *Jay Clint Tomlinson*, FINRA Case No. 2016047634502; *Joseph P. Woitkoski*, FINRA Case No. 2018059808101, <https://www.finra.org/rules-guidance/oversight-enforcement/finra-disciplinary-actions-online>.

²³¹ See, e.g., *David Michael Brendza*, FINRA Case No. 2018058614401; *Richard Matthew Brendza*, FINRA Case No. 2018058614301; *Steven G. Brettler*, FINRA Case No. 2020068689201; *Jimmy J. Galindo*, FINRA Case No. 2020068810001; *Barry Lee Garapedian*, FINRA Case No. 2021070477901; *Michael MacLean*, FINRA Case No. 2021069200301; *Justin H. Parkhurst*, FINRA Case No. 2020068810101; *Jeffrey L. Prince*, FINRA Case No.

customers, at least sometimes with the customers' authorization.²³² One respondent electronically signed documents for customers, usually with authorization.²³³ In contrast, Centeno's role was to assist the Firm in appropriately monitoring for abusive trading and compliance with the applicable securities laws and regulations. He was one of the persons responsible for ensuring that the Firm and its employees complied with high standards of commercial honor and just and equitable principles of trade. It is aggravating that in this role he himself violated those standards.

Sanctions are necessary because Centeno's misconduct reflects negatively on his ability to comply with the securities laws and applicable rules. This is particularly concerning because he is still in the industry in a compliance role.

Based on the record and our consideration of the aggravating and mitigating factors, we find it appropriate to impose a 12-month suspension from association in any capacity with any FINRA member firm and a \$10,000 fine. These remedial sanctions make it less likely that Centeno will engage in such misconduct in the future. They also promote public confidence in the markets by demonstrating that fair and rigorous regulatory oversight exists. The imposition of disciplinary sanctions additionally will deter others from engaging in such misconduct, thereby improving business conduct in the future.

VI. Order

Respondent Jose L. Centeno violated FINRA Rule 2010 by falsely marking his Firm's records to show that he had reviewed 383 exception reports for suspicious trading activity when he had not. For this misconduct, he is suspended from association with any FINRA member firm for 12 months and fined \$10,000.²³⁴

If this decision becomes FINRA's final disciplinary action, Respondent's suspension will begin with the opening of business on Monday, October 21, 2024.

Respondent is ordered to pay costs in the amount of \$3,938.19, which includes a \$750 administrative fee and \$3,188.19 for the cost of the transcript.

2020068820401; *Blake Adam Ridenour*, FINRA Case No. 2020068854701; *Jason Robert Stannard*, FINRA Case No. 2019061720801; *Robert Louis Takacs*, FINRA Case No. 2020065354801; *Altin Tirana*, FINRA Case No. 2020067608101; *Daniel H. Vatterott*, FINRA Case No. 2021070570001, <https://www.finra.org/rules-guidance/oversight-enforcement/finra-disciplinary-actions-online>.

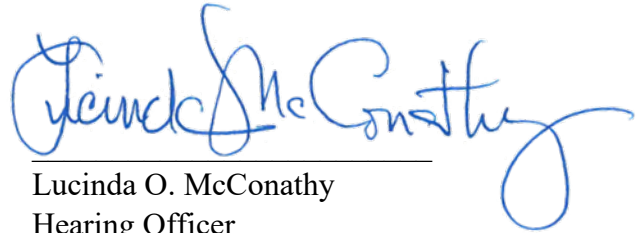
²³² See, e.g., *Ellen Gayle Reynard*, FINRA Case No. 2021072841801; *Christina Jane Shepard*, FINRA Case No. 2019062369701.

²³³ See *Darrell Layman*, FINRA Case No. 2022077093901.

²³⁴ The Hearing Panel has considered all the parties' arguments but finds additional discussion unnecessary. Those arguments are accepted to the extent they are consistent with this decision and rejected to the extent they are inconsistent with it.

The \$10,000 fine shall be due on a date set by FINRA, but not sooner than 30 days after this decision becomes FINRA's final action.

The costs shall be due on a date set by FINRA, but not sooner than 30 days after this decision becomes FINRA's final action.



Lucinda O. McConathy
Hearing Officer
For the Hearing Panel

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