

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
Key Investment Services LLC
(CRD No. 136300)
And
KeyBanc Capital Markets Inc.
(CRD No. 566)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934¹

SD-2395
SD-2393

November 26, 2024

I. Introduction

On March 4, 2024, Key Investment Services LLC (“KIS”) and KeyBanc Capital Markets Inc. (“KBCM”) (collectively “Firms”) each submitted a Membership Continuance Application (“Applications”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.² The Applications seek to permit the Firms, FINRA members, to continue their membership with FINRA notwithstanding their statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” or “Member Supervision”) approves the Applications and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).³

II. The Statutorily Disqualifying Event

The Firms are 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 a Securities and Exchange Commission (“SEC” or “Commission”) Order dated February 9, 2024 (“SEC Order”).⁴ The SEC Order found that both KIS and KBCM

¹ This SEA Rule 19h-1 Notice replaces the SEA Rule 19h-1 Notice filed by FINRA on November 5, 2024.

² See KIS MC-400A and related attachments compiled by CRED, with a cover memorandum dated April 30, 2024, attached as Exhibit 1. See KBCM MC-400A and related attachments compiled by CRED, with a cover memorandum dated April 24, 2024, attached as Exhibit 2.

³ The Firms consented to being listed on the same SEA Rule 19h-1 Notice.

⁴ See SEC Order, *In re Key Investment Services LLC, and KeyBanc Capital Markets Inc.*, Exchange Act

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 within the meaning of SEA Section 15(b)(4)(E).⁵ The SEC Order also found that KIS willfully violated Section 204 of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 204-2(a)(7) thereunder, and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees' aiding and abetting violations of Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder within the meaning of Section 203(e)(6) of the Advisers Act.⁶

According to the SEC Order, from at least January 2019, employees of the Firms sent and received off-channel communications that related to the Firms' business, and a majority of these written communications were not maintained or preserved by the Firms.⁷ 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 the Firms' policies by communicating using non-Firm approved methods on their personal devices about the Firms' broker-dealer business and/or KIS's investment adviser business.⁸

The Firms were censured, ordered to cease and desist from committing or causing any future violations, ordered to pay a civil money penalty of \$10,000,000 (jointly and severally), and ordered to comply with certain undertakings.⁹

III. Remedial Measures

According to the Applications, the Firms represented that they undertook remedial measures prior to the issuance of the SEC Order, including enhancement of its policies and procedures, offering increased training concerning the use of approved communications

Release No. 99500 (Feb. 9, 2024), attached as Exhibit 3.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On February 9, 2024, the SEC granted the Firms a waiver from the application of the disqualification provisions of these Rules. *See In re Certain Broker-Dealer Practices*, Securities Act Release No. 11270 (Feb. 9, 2024), attached as Exhibit 4.

⁵ *See* Exhibit 3 at pp. 5-6, para. 26, 28.

⁶ *Id.* at p. 6, para. 27, 29.

⁷ *Id.* at p. 2, para. 3.

⁸ *Id.* at p. 2, para. 4.

⁹ *Id.* at pp. 6-12. The Firms represented that the civil penalty of \$10,000,000 was paid to the SEC by wire transfer on February 14, 2024. *See* KIS Discovery Responses dated October 2, 2024, and KBCM Discovery Responses dated October 1, 2024, collectively attached as Exhibit 5. The Firms also represented that all undertakings required thus far are completed, including engaging an independent compliance consultant and assuring that the consultant's report was timely submitted to the SEC. *Id.*

methods, and implementing changes to the technology available to employees.¹⁰

According to the SEC Order, the Commission considered the Firms' prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.¹¹

IV. Firm Background

KIS has been a FINRA member since November 22, 2005¹² and KBCM since May 15, 1944.¹³ KIS is headquartered in Brooklyn, Ohio, with 692 active branches (one of which is an Office of Supervisory Jurisdiction).¹⁴ KIS employs approximately 1104 registered representatives (112 of which are registered principals), two operations professionals, and 40 non-registered fingerprint employees.¹⁵ KIS does not employ any statutorily disqualified individuals.¹⁶

KBCM is headquartered in Cleveland, Ohio, with 21 active branches (13 of which are Offices of Supervisory Jurisdiction).¹⁷ KBCM employs approximately 743 registered representatives (132 of which are registered principals), one operations professional, and 100 non-registered fingerprint employees.¹⁸ KBCM does not employ any statutorily disqualified individuals.¹⁹

KIS is approved to engage in the following lines of business:²⁰ broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; mutual fund retailer; U.S. government securities broker; municipal securities broker; broker or dealer selling variable life insurance or annuities; solicitor of time

¹⁰ See Exhibit 1 at FINRA 000079 and Exhibit 2 at FINRA 00212.

¹¹ See Exhibit 3 at p. 6, para. 30.

¹² See KIS Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 6.

¹³ See KBCM CRD Excerpt – Organization Registration Status, attached as Exhibit 7.

¹⁴ FINRA confirmed this through analysis of the Firm's information contained in CRD, last performed on October 17, 2024.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ See KIS CRD Excerpt - Types of Business, attached as Exhibit 8.

deposits in a financial institution; investment advisory services; broker or dealer involved in a networking, kiosk, or similar arrangement with a bank, savings bank or association, or credit union; broker or dealer involved in a networking, kiosk, or similar arrangement with an insurance company or agency.

KBCM is approved to engage in the following lines of business:²¹ broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; U.S. government securities dealer; U.S. government securities broker; municipal securities dealer; municipal securities broker; trading securities for own account; private placements of securities; broker or dealer selling interests in mortgages or other receivables.

KIS is a member of the following self-regulatory organizations (“SROs”): Municipal Securities Rulemaking Board (“MSRB”); and National Securities Clearing Corporation (“NSCC”).²² KBCM is a member of Investors Exchange LLC (“IEX”); The Nasdaq Stock Market LLC (“Nasdaq”);²³ and MSRB.²⁴

Recent Examinations

In the past two years, FINRA completed one routine examination of KIS which resulted in a Cautionary Action Letter (“CAL”). FINRA also completed one routine examination of KBCM that resulted in a CAL, and one routine examination of KBCM (on behalf of IEX pursuant to a Regulatory Services Agreement) which found no exceptions.

A. FINRA Routine Examination of KIS

In April 2024, FINRA completed a routine examination that resulted in a CAL to KIS based on four exceptions pertaining to KIS’ failure to promptly forward customer checks to the appropriate clearing firm by noon of the next business day after receipt, follow its written supervisory procedures (“WSPs”) relating to handling of customer checks, maintain accurate books and records with regards to the solicitation status of mutual fund switch transactions, enforce its procedures regarding municipal bond disclosure, and maintain WSPs that address procedures pertaining to retail customer requests for Form CRS and how such requests should be documented.²⁵ The Firm responded in writing that the Firm

²¹ See KBCM CRD Excerpt - Types of Business, attached as Exhibit 9.

²² Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on September 18, 2024.

²³ See Exhibit 7.

²⁴ Membership in this organization was verified by FINRA staff through a search of public member directories, last performed on September 18, 2024.

²⁵ See Disposition Letter for Examination No. 20230770365 dated April 18, 2024, Examination Report dated

took steps to address the issues including updating its policies and procedures, discussing the issues with KIS' relevant teams, and correcting the incomplete disclosure.²⁶

B. FINRA Routine Examinations of KBCM

In February 2023, FINRA completed a routine examination of KBCM that resulted in a CAL to KBCM for two exceptions and a third exception that resulted in no further action.²⁷ The two exceptions that resulted in the CAL pertained to the Firm's failure to have processes, procedures, and controls in place to review Form U4 via the Gateway after changes were made to the outside business activity ("OBA") section by a registered representative, to enforce its WSPs concerning KBCM's process for requiring registered representatives to timely disclose OBA relationships in writing, and update a registered representative's Form U4 to reflect OBAs in a timely manner.²⁸ The Firm responded in writing that it took steps to address the issues, which include policy and procedure enhancements and conducting additional training.²⁹

In December 2022, FINRA completed a routine examination of KBCM (on behalf of IEX) which resulted in no exceptions.³⁰

Regulatory Actions

In the past two years, KIS and KBCM have each been the subject of one additional disciplinary action, aside from the SEC Order that led to the Applications: a May 2024 SEC order entered against KIS, and a March 2023 SEC order entered against KBCM.

On May 21, 2024, the SEC issued an order which found that KIS willfully violated Rule 151-1(a) of the Exchange Act, Sections 206(2) and 206(4) of the Advisers Act, and Rule 206(4)-7 thereunder.³¹ According to the order, between June 2020 and February 2022, KIS registered representatives and investment adviser representatives recommended that certain of its brokerage and advisory clients transfer securities from KIS accounts to an affiliate, Key Private Bank, without disclosing that the KIS representatives would receive

March 7, 2024, and Firm Response dated March 21, 2024, collectively attached as Exhibit 10.

²⁶ *Id.* at FINRA pp. 9-13.

²⁷ See Disposition Letter for Examination No. 20220733008 dated February 15, 2023, Examination Report dated January 19, 2023, and Firm Response dated January 31, 2023, collectively attached as Exhibit 11.

²⁸ *Id.* at FINRA pp. 5-6.

²⁹ *Id.* at FINRA pp. 7-9.

³⁰ See KBCM Examination Report for Examination No. 20220733009 dated December 21, 2022, attached as Exhibit 12.

³¹ See Order, *In re Key Investment Services, LLC*, Exchange Act Release No. 100186 (May 21, 2024), attached as Exhibit 13. This order subjects the Firm to statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D).

compensation for the recommendation and for any subsequent transfers.³² The Commission further found that KIS did not have written policies and procedures reasonably designed to achieve compliance with Regulation BI and Adviser Act disclosure obligations as related to these types of conflicts of interest.³³ KIS was censured, ordered to cease and desist from further violations, and ordered to pay a civil money penalty of \$223,228.³⁴

On March 7, 2023, the SEC issued an order which found that KBCM willfully violated Section 15B(c)(1) of the Exchange Act, Rule 15c2-12 under the Exchange Act, as well as Rule G-27 of the Municipal Securities Rulemaking Board.³⁵ From September 2017, through December 2021, KBCM acted as a sole underwriter for 47 municipal bond offerings and sold new issue municipal bonds to broker-dealers and investment advisors without a reasonable belief that they were purchasing the securities for investment.³⁶ The order also found that KBCM did not have specific policies and procedures reasonably designed to comply with the exemption it cited in Rule 15c2-12.³⁷ KBCM was censured, ordered to cease and desist from future violations, and ordered to pay \$263,607.66 in disgorgement plus prejudgment interest of \$33,528.55 and a \$100,000 civil money penalty.³⁸

A. Other Statutory Disqualification Matters

In the past five years, the Firms were subject to statutory disqualification as a result of the two SEC orders discussed above.³⁹

³² *Id.* at p. 2.

³³ *Id.*

³⁴ *Id.* at p. 8. FINRA staff confirmed that KIS paid the penalty and that the sanctions are no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership was not required under FINRA rules. *See also* [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

³⁵ *See Order, In re KeyBanc Capital Markets Inc.*, Exchange Act Release No. 97064 (Mar. 7, 2023), attached as Exhibit 14. This order subjects the Firm to statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D).

³⁶ *Id.* at p. 2.

³⁷ *Id.*

³⁸ *Id.* at p. 6. FINRA staff confirmed that KBCM paid the penalty and disgorgement and that the sanctions are no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership was not required under FINRA rules. *See also* [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

³⁹ *See* Exhibits 13 and 14.

V. Prior SEA Rule 19h-1 Notices

KIS has not been the subject of any prior SEA Rule 19h-1 or 19d-1 Notices.

KBCM was previously the subject of one 19h-1 Notice.⁴⁰ On March 24, 2016, FINRA filed a Rule 19h-1 Notice approving KBCM's continued membership notwithstanding the existence of its statutory disqualification stemming from a February 2, 2016, SEC order.⁴¹ The Commission acknowledged FINRA's Notice on April 28, 2016.⁴²

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

The Firms seek to continue their membership with FINRA notwithstanding their status as disqualified members. The Firms have agreed to the following Plan of Heightened Supervision (“Supervision Plan” or “Plan”) as a condition of their continued membership with FINRA:⁴³

Key Investment Services LLC (“KIS”) and KeyBanc Capital Markets Inc. (“KBCM”), (collectively “Firms”) are 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 February 9, 2024, which found that the Firms 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 Firms failed reasonably to supervise their employees within the meaning of Section 15(b)(4)(E). In addition, the SEC Order found that KIS willfully violated Section 204 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 204-2(a)(7) thereunder, and failed reasonably to supervise its employees within the meaning of Section 203(e)(6) of the Advisers Act.

For the purpose of this Supervision Plan, the term “Digital Communication Channels” means all written electronic methods of communication used to conduct the respective Firms’ 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

⁴⁰ See *In re the Continued Membership of Keybanc Capital Markets Inc. et al.*, SD-MCDC-054, SD-MCDC-056, SD-MCDC-057, SD-MCDC-063, (FINRA Mar. 24, 2016), and SEC Letter of Acknowledgement dated April 28, 2016, collectively attached as Exhibit 15.

⁴¹ *Id.*

⁴² *Id.* at p. 6.

⁴³ See Executed Consent to Plan of Heightened Supervision dated October 3, 2024, attached as Exhibit 16.

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 Firms agree to the following:

1. The Firms shall comply with all of the undertakings outlined in the SEC Order.
2. The Firms shall maintain copies of all correspondence between the respective Firms 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 Firms shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firms shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firms shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firms 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 Firms 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 they have 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 Firms shall conduct training for all associated persons regarding the Digital Communication Channels that the Firms have approved for business communication, along with the respective Firm’s current policies regarding retention of business-related electronic communications. The Firms 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 Firms 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 Firms 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 Firms shall, to the extent that they have not already done so, establish and maintain a written list(s) of all Digital Communication Channels that their associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the respective Firm’s

associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firms 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 Firms. The Firms shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the respective Firm's decision. The Firms shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.

8. The Firms 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 the Firms' business. The Firms 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 Firms shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firms shall, to the extent that they have 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 Firms and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firms shall maintain a record of all such Off-Channel Communications, including a record of the respective 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 Firms shall, to the extent that they have not already done so, develop and maintain written supervisory policies and procedures detailing the respective Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about the Firms' business. When the Firms use the disciplinary processes, the Firms shall document each instance. The Firms 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 Firms shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firms 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 each Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating the Applications submitted by KIS and KBCM, FINRA assessed whether the Firms have demonstrated that their 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 Firms' 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 Firms were not expelled or suspended, nor were any limitations placed on the Firms' 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 Firms represent that the full amount of the civil monetary penalty was paid, and they are in compliance with the undertakings in that they each retained a compliance consultant and assured the timely submission of the consultants' reports to the SEC.⁴⁴

Member Supervision also acknowledges that within the SEC Order the Commission considered each Firms' prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement. Specifically, the Firms enhanced their policies and procedures, increased training concerning the use of approved communications methods, and began implementing changes to the technology available to employees.⁴⁵

In evaluating the Firms' Applications, FINRA notes that KIS and KBCM have limited disciplinary history which should not prevent the Firms from continuing in FINRA membership. Additionally, in response to the Firms' recent examinations findings and exceptions, the Firms took steps to resolve them, which include enhancing policies and procedures and providing additional training. Following the approval of the Firms' continued membership in FINRA, FINRA intends to utilize its examination and

⁴⁴ See Exhibit 5.

⁴⁵ See Exhibit 1 at FINRA00079 and Exhibit 2 at FINRA00212.

surveillance processes to monitor the Firms' continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

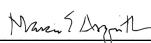
FINRA is further reassured by the controls set in place by the Firms' Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firms and current compliance with the remaining undertakings. In accordance with the Plan, the Firms agreed to conduct annual training for all associated persons, including new hires, regarding each Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firms 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 their associated persons semi-annually. The Plan requires each 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 their Firm for retention purposes. These provisions will help to ensure that each Firm is aware of the communication methods being used by associated persons so that they can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that each Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, 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 Firms' representations made pursuant to the Supervision Plan, that the Firms' 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 KIS' and KBCM's Applications to continue their memberships with FINRA.

FINRA certifies that the Firms meet all qualification requirements and represents that the Firms are registered with several other SROs. KIS is a member of NSCC; KBCM is a member of IEX and Nasdaq. These SROs have been provided with the terms and conditions of the Firms' proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firms 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

EXHIBITS
SD-2395 and SD-2393

1. KIS MC-400A and related attachments compiled by CRED, with a cover memorandum dated April 30, 2024.
2. KBCM MC-400A and related attachments compiled by CRED, with a cover memorandum dated April 24, 2024.
3. SEC Order, *In re Key Investment Services LLC, and KeyBanc Capital Markets Inc.*, Exchange Act Release No. 99500 (Feb. 9, 2024).
4. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11270 (Feb. 9, 2024).
5. KIS Discovery Responses dated October 2, 2024 and KBCM Discovery Responses dated October 1, 2024.
6. KIS CRD Excerpt - Organization Registration Status.
7. KBCM CRD Excerpt - Organization Registration Status.
8. KIS CRD Excerpt -Types of Business.
9. KBCM CRD Excerpt – Types of Business.
10. Disposition Letter for Examination No. 20230770365 dated April 18, 2024, FINRA Examination Report dated March 7, 2024, and Firm Response dated March 21, 2024.
11. Disposition Letter for Examination No. 20220733008 dated February 15, 2023, Examination Report dated January 19, 2023, and Firm Response dated January 31, 2023.
12. KBCM Examination Report for Examination No. 20220733009 dated December 21, 2022.
13. Order, *In re of Key Investment Services, LLC*, Exchange Act Release No. 100186 (May 21, 2024).
14. Order, *In re of KeyBanc Capital Markets Inc.*, Exchange Act Release No. 97064 (March 7, 2023).
15. *In re the Continued Membership of Keybanc Capital Markets Inc. et al.*, SD-MCDC-054, SD-MCDC-056, SD-MCDC-057, SD-MCDC-063, (FINRA March 24, 2016), and SEC Letter of Acknowledgement dated April 28, 2016.
16. Executed Consent to Plan of Heightened Supervision dated October 3, 2024.

Exhibit A

Plan of Heightened Supervision

Key Investment Services LLC (“KIS”) and KeyBanc Capital Markets Inc. (“KBCM”), (individually “Firm,” collectively “Firms”) are 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 February 9, 2024, which found that the Firms 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 Firms failed reasonably to supervise their employees within the meaning of Section 15(b)(4)(E). In addition, the SEC Order found that KIS willfully violated Section 204 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 204-2(a)(7) thereunder and failed reasonably to supervise its employees within the meaning of Section 203(e)(6) of the Advisers Act.

In consenting to this Supervision Plan¹ (“Supervision Plan”), the Firms agree to the following:

1. The Firms shall comply with all the undertakings outlined in the SEC Order.
2. The Firms shall maintain copies of all correspondence between the Firms 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 Firms shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firms 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 Firms shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
4. The Firms shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified under paragraph 37 of the SEC Order.
5. This Supervision Plan shall take effect on the date the respective Firm executes its consent to this Supervision Plan. The Supervision Plan shall be in effect for each respective Firm until FINRA’s receipt of the respective Firm’s final certifications required by the SEC Order, after which time the Supervision Plan and its provisions thereto will expire as to that respective Firm.

¹ This Supervision Plan supersedes the Firms’ previous Supervision Plan executed on October 2 & 3, 2024.

6. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
7. The Firms shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
8. The Firms shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.