

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066888401**

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

RE: Leonid Yurovsky (Respondent)
General Securities Representative
CRD No. 4554905

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

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Yurovsky first registered with FINRA in August 2002. Since April 2016, Yurovsky has been registered as a General Securities Representative through an association with Joseph Stone Capital L.L.C. (CRD No. 159744).

In December 2014, the Arkansas Securities Commissioner issued a Consent Order in a disciplinary proceeding against Yurovsky. In that Order, Yurovsky, without admitting or denying the allegations, consented to the entry of findings that he had recommended unsuitable trades. In connection with that matter, Yurovsky consented to pay \$55,000 in restitution and to a requirement that he re-qualify and re-register with the Arkansas Securities Department.¹

OVERVIEW

From June 2016 through November 2019, Yurovsky excessively and unsuitably traded two customer accounts, in violation of FINRA Rules 2111 and 2010.

¹ For more information about the respondent, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111(a) provides in pertinent part that “[a] member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” Recommended securities transactions may be unsuitable if, when taken together, they are excessive, the level of trading is inconsistent with the customer’s investment profile, and the registered representative exercises control over the customer’s account.

No single test defines when trading is excessive, but factors such as the turnover rate and the cost-to-equity ratio are considered in determining whether a member firm or associated person has violated FINRA’s suitability rule. Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account must appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. A turnover rate of six or a cost-to-equity ratio above 20 percent generally indicates that excessive trading has occurred.

A violation of FINRA Rule 2111 also is a violation of FINRA Rule 2010, which requires associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

During the relevant period, Yurovsky engaged in quantitatively unsuitable trading in two customers’ accounts. First, Yurovsky recommended that Customer A, a farmer with limited investment experience, place 252 trades in his account between June 2016 and November 2019. During that period, Customer A’s average monthly equity in his Joseph Stone account was approximately \$158,600, yet Yurovsky’s recommended trades resulted in the customer paying approximately \$165,000 in commissions and other trade costs. Collectively, Yurovsky’s recommendations resulted in an annualized cost-to-equity ratio of approximately 30 percent—meaning that Customer A’s account would have had to grow by more than 30 percent annually just to break even.

Second, Yurovsky recommended that Customer B, a senior investor, place 41 trades in his account between July and December 2016. In several instances, Yurovsky recommended that Customer B sell a security shortly after purchasing it, even though Yurovsky’s recommendation to purchase the security had resulted in paying a substantial commission. For example, Yurovsky recommended that Customer B purchase 395 shares of a technology company on October 28, 2016 for \$59.75 per share, only to sell 145 shares ten days later for \$60.40 per share. These transactions required Customer B to pay almost \$700 in commissions and trading fees to generate less than \$95.00 in proceeds. Although Customer B’s account had an average monthly equity of approximately \$42,000, Yurovsky’s recommended trades caused him to pay over \$10,600 in commissions and other trade costs, and resulted in a cost-to-equity ratio of approximately 25 percent.

Both Customers A and B relied on Yurovsky's advice and accepted his recommendations. Those recommended transactions, which collectively resulted in the customers paying approximately \$175,600 in commissions and other charges, were excessive and unsuitable. Therefore, Yurovsky violated FINRA Rules 2111 and 2010.

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

- a five-month suspension from associating with any FINRA member in all capacities; and
- restitution of \$10,648.61.²

Respondent has submitted a statement of financial condition and demonstrated a limited ability to pay. In light of Respondent's financial status, the sanctions do not include a monetary fine or prejudgment interest.

Restitution is ordered to be paid to Customer B in the total amount of \$10,648.61.

Respondent shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

The restitution amount to be paid to Customer B shall be treated by the Respondent as Customer B's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay Customer B within 120 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws.

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

The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

² This AWC requires that Yurovsky pay restitution only to Customer B. Joseph Stone Capital has paid as restitution the commissions and other trading costs charged to Customer A as a result of Yurovsky's unsuitable securities recommendations.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

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

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

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

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of

the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

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

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

December 19, 2022

Date

Leonid Yurovsky

Leonid Yurovsky
Respondent

Reviewed by:

Adam Cole

Adam D. Cole
Counsel for Respondent
Chipman Brown Cicero & Cole
501 5th Ave. 15th Floor
New York, NY 10017

Accepted by FINRA:

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

December 27, 2022

Date

Joshua J. Bone

Joshua J. Bone
Director
FINRA
Department of Enforcement
99 High Street Suite 900
Boston, MA 02110