

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073421501**

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

RE: Marvin Somlo (Respondent)
General Securities Representative
CRD No. 6617205

Pursuant to FINRA Rule 9216, Respondent Marvin Somlo 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

Somlo first registered with FINRA in 2016. Somlo was registered with FINRA as a General Securities Representative and an Investment Company and Variable Contracts Products Representative through an association with Network 1 Financial Securities Inc. (CRD No. 13577) from September 2020 through September 2022.

Since January 2023, Somlo has been registered with FINRA as a General Securities Representative and an Investment Company and Variable Contracts Products Representative through an association with another FINRA member.¹

OVERVIEW

Between September 2020 and September 2022, Somlo used electronic messaging services that were not permitted under Network 1's Electronic Systems Telecommunication Policy. As a result, the firm did not preserve Somlo's messages as required by Section 17(a) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-4(b)(4). By causing Network 1 to maintain incomplete books and records, Somlo violated FINRA Rules 4511 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from a routine FINRA examination of Network 1.

FINRA Rule 4511 requires each member to make and preserve books and records in conformity with, among others, Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4), which requires member firms to maintain for a period of not less than three years the originals of all communications received, and copies of all communications sent, by the member relating to the member's business, including text messages and other electronic messages. A registered representative who causes his or her member firm to fail to comply with its recordkeeping obligations violates FINRA Rule 4511.

A violation of FINRA Rule 4511 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.

Network 1 prohibited its registered representatives from transmitting electronic business communications through channels not approved by the firm. At all relevant times, Network 1 had not approved the use of several electronic messaging services used by Somlo, including text messages and other electronic messaging platforms, for electronic business communications. While associated with Network 1, Somlo completed two Electronic Systems Telecommunication Policy Affirmations in which he affirmed his understanding of the firm's prohibition on the use of non-firm electronic communication systems and agreed that he would not contact a customer using such systems.

Between September 2020 and September 2022, Somlo exchanged more than 1,000 communications with 25 customers and prospective customers regarding securities-related business via text message and other electronic messaging platforms (i.e., WhatsApp Messenger and LinkedIn) that were not permitted under Network 1's Electronic Systems Telecommunication Policy. These electronic communications included discussions of specific investments and their terms, market updates, and offers to make investor introductions. Certain of Somlo's messages concerned IPOs for small-cap issuers and other potentially high-risk investments. Somlo's misconduct caused Network 1 not to capture or maintain these communications, which the firm was required to do under the Exchange Act and FINRA Rules.

Therefore, Somlo violated FINRA Rules 4511 and 2010.

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

- a one-month suspension from associating with any FINRA member in all capacities and
- a \$5,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an

Election of Payment form showing the method by which he proposes to pay the fine imposed.

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

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 National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

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

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

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's 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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA for legal advice. 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.

June 3, 2024

Date



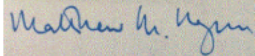
Marvin Somlo
Respondent

Accepted by FINRA:

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

June 12, 2024

Date



Matthew M. Ryan
Principal Counsel
FINRA
Department of Enforcement
1601 Market Street, Suite 2700
Philadelphia, PA 19103-2339