

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

Department of Enforcement,

Complainant,

v.

Jeffrey Alan Stanley,
CRD No. 4645288, and

Mark Elliot Paverman,
CRD No. 1046105,

Respondents.

Disciplinary Proceeding
No. 2023080111701

Hearing Officer: _____

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. This case involves “banking-as-a-service,” a business model that allows financial technology companies (“fintechs”) to provide online banking services to members of the public (“end users”).
2. The fintechs, which are not banks, partner with licensed banks, which in turn hold end user funds.

3. Non-FINRA member Synapse Financial Technologies, Inc. (“Synapse Fi”) operated a technology platform that connected certain fintechs and their end users to two banking partners, DDA Bank 1 and DDA Bank 2 (collectively, the “DDA Banks”) that held end user funds in omnibus demand deposit accounts.¹

4. By September of 2023, fintechs with millions of end users were using Synapse Fi’s platform and had over \$2 billion in end user funds held in deposit accounts at the DDA Banks.

5. At or about that time, Synapse Fi was unable to reconcile its ledger with the records of DDA Bank 1. According to DDA Bank 1, there was a shortfall in funds, measured in the tens of millions of dollars, compared to what Synapse Fi was reporting to end users. Synapse Fi and DDA Bank 1 each asserted that the other party’s ledger was inaccurate.

6. Faced with this disagreement, starting in September 2023, Synapse Fi decided to open cash management accounts at its wholly owned subsidiary, Synapse Brokerage LLC, a former FINRA member, to hold end user funds through a cash sweep program.² Even after the cash management accounts were opened, however, end users continued to access banking services through their fintech application, which continued to rely on the Synapse Fi platform and the DDA Banks to function.

7. As alleged in greater detail below, Synapse Fi retained control of key functions of the Synapse Brokerage business, most critically the ledger. Synapse Fi’s ledgering dispute with DDA Bank 1 continued, however, and Synapse Fi’s business failed in April 2024 when it filed for bankruptcy.

¹ An omnibus banking account is a single account that holds the combined funds of multiple individuals or entities rather than keeping each client’s holdings separate.

² As alleged further below, Synapse Brokerage was expelled by FINRA in June 2025.

8. While the ledger dispute remained unresolved, in May 2024, DDA Bank 1 stopped processing transactions for Synapse Brokerage customers, resulting in the customers being unable to access over \$100 million held in the cash management program. Customer funds at DDA Bank 2 were also frozen.

9. Today, Synapse Fi is in bankruptcy proceedings and its ledgering dispute with DDA Bank 1 is unresolved. Many Synapse Brokerage customers still cannot access all of their funds, and some customers have been unable to pay their outstanding obligations, including medical expenses, mortgages, and college tuition.

10. This Complaint charges two of the former officers of Synapse Brokerage for their misconduct in connection with the foregoing and related events.

11. Beginning in September 2023, at the time that Synapse Brokerage became involved in the ongoing “banking-as-a-service” arrangement between Synapse Fi and the DDA Banks, Respondent Jeffrey Stanley failed to reasonably supervise the cash management program in violation of FINRA Rules 3110 and 2010. As of September 2023, Stanley was functioning as the supervisory principal of Synapse Brokerage, and he formally became its President and Chief Executive Officer (“CEO”) in December 2023 and remained in that role until May 2024.

12. Accordingly, from at least September 2023 to May 2024 Stanley was responsible for supervising Synapse Brokerage’s cash management business.

13. Stanley’s supervisory failures included: (i) approving the opening of Synapse Brokerage cash management accounts for end users without their adequate authorization; (ii) approving or otherwise allowing the movement of customer funds without adequate authorization from customers and, (iii) allowing Synapse Fi, a non-FINRA member, to perform significant brokerage functions, including tracking and accounting for customer funds and

keeping the ledger necessary to reconcile customer account balances, without implementing a supervisory system reasonably designed to supervise Synapse Fi's conduct. Separately, Stanley failed to reasonably investigate red flags of substantial discrepancies between ledgers of customer funds created by Synapse Fi and the ledgers of DDA Bank 1.

14. Respondent Mark Paverman, the Chief Compliance Officer ("CCO") of Synapse Brokerage from December 2023 to January 2025 and its former nominal President and Chief Executive Officer, caused the firm to fail to preserve required books and records in contravention of Section 17(a) of the Exchange Act of 1934 ("Exchange Act"), Exchange Act Rules 17a-3 and 17a-4, thereby violating FINRA Rules 4511 and 2010. Specifically, the firm, through Paverman, failed to preserve email communications for three of the eight persons associated with Synapse Brokerage; failed to preserve instant messages for any Synapse Brokerage personnel; and failed to preserve electronic communications of Synapse Fi personnel who performed brokerage functions.

15. Separately, in May 2023, Paverman provided false information to FINRA in an undertaking related to the firm's access to its books and records, and then failed to comply with the undertaking, in violation of FINRA Rule 2010. Specifically, Paverman falsely represented to FINRA that Synapse Brokerage had directly contracted with a vendor to maintain its books and records and that the firm had independent access to its books and records when it did not. In the undertaking, Paverman also undertook to promptly furnish information requested by FINRA on behalf of Synapse Brokerage. However, because Paverman did not have independent access to the firm's books and records, he was unable to, and did not, comply with the undertaking to the detriment of FINRA's investigation.

RESPONDENTS AND JURISDICTION

A. Stanley

16. Jeffrey Stanley first became registered with FINRA through an association with a FINRA member firm in April 2003. From February 2023 to June 2024, he was registered as a General Securities Principal through an association with Synapse Brokerage.

17. As alleged above, prior to December 2023, Stanley functionally acted as the Chief Executive Officer of Synapse Brokerage. He was the supervisory principal of the firm, approved account openings, approved millions of dollars in transfers of funds, retained the firm's Financial Operations Principal ("FINOP") and Chief Operating Officer, and was the point of contact for Synapse Fi.

18. From December 2023 to May 2024, Stanley was also in title the President and Chief Executive Officer of Synapse Brokerage. The only substantive change to his responsibilities was that he became a signatory on firm bank accounts.

19. On June 21, 2024, Synapse Brokerage filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") disclosing that Stanley voluntarily terminated his association with the firm.

20. Although Stanley is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after June 21, 2024, which was the effective date of termination of Stanley's registration with Synapse Brokerage, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

B. Paverman

21. Mark Paverman first became registered with FINRA through an association with a FINRA member firm in April 1987. From January 2021 to January 2025, he was registered as a General Securities Principal through an association with Synapse Brokerage.

22. While registered as a General Securities Principal for Synapse Brokerage, Paverman was also registered as a General Securities Principal through his association with approximately 30 other FINRA member firms.

23. From March 2021 to December 2023, Paverman was identified by the firm in its records as the President and Chief Executive Officer of Synapse Brokerage.

24. From December 2023 to January 2025, Paverman was the Chief Compliance Officer of Synapse Brokerage.

25. On January 13, 2025, Synapse Brokerage filed a Form U5 disclosing that Paverman voluntarily terminated his association with the firm.

26. Paverman is subject to FINRA's jurisdiction because he is currently registered with FINRA through his association with five different FINRA member firms.

RELEVANT NON-RESPONDENTS

C. Synapse Brokerage.

27. Former member firm Synapse Brokerage LLC (f/k/a MVP Global Trading, LLC) had been registered with FINRA since March 2006.

28. Synapse Brokerage was acquired by Synapse Fi in July 2020. Synapse Brokerage conducted no business after the acquisition until September 2023.

29. In September 2023, Synapse Brokerage launched a cash management program, where deposited funds were allocated among non-FINRA member banks with the goal of maximizing FDIC coverage.

30. Unless they opted out, the end users—who became customers of Synapse Brokerage with cash management accounts—continued to access banking services through their fintech application.

31. Synapse Brokerage’s only line of business was the cash management program. It did not offer securities products.

32. On June 23, 2025, Synapse Brokerage was expelled from FINRA membership for failing to maintain a current and accurate Uniform Application for Broker-Dealer Registration (Form BD), as required under Article IV, Section 1(c) of FINRA’s By-Laws and for failing to file an annual audit report as required pursuant to Exchange Act Rule 17a-5 and FINRA Rule 2010.

D. Synapse Financial Technologies, Inc.

33. Synapse Fi is the parent to and sole owner of Synapse Brokerage.

34. Synapse Fi is not a FINRA member.

35. Synapse Fi was a technology and software company that offered a platform through which fintechs provided banking services to end users through third-party partner banks.

36. Thus, an end user interested in opening a bank account could sign up with a fintech customer of Synapse Fi.

37. Prior to September 2023, Synapse Fi facilitated the opening of bank accounts for end users at the DDA Banks.

38. Beginning in September 2023, end user balances were transferred from the DDA Banks to cash management accounts at Synapse Brokerage.

39. However, both before and after September 2023, end users accessed banking services through their fintech application, which used Synapse Fi’s technology and software.

40. On April 22, 2024, Synapse Fi filed for Chapter 11 bankruptcy in the Central District of California.

41. As of May 24, 2024, all remaining employees of Synapse Fi were terminated. The company is currently being operated by a Chapter 11 trustee.

E. The End Users.

42. The end users are customers of the fintechs.

43. The end users were never customers of Synapse Fi.

44. As alleged herein, starting in September 2023, many end users became customers of Synapse Brokerage.

F. The Fintechs.

45. The fintechs are financial technology platforms that offer certain financial products and services to end users—*e.g.*, demand deposit accounts (“DDAs”), card products, and loan products.

46. The fintechs are not banks and cannot directly offer banking products. The fintechs partnered with Synapse Fi which connected them to banks that offered those products.

47. End users interested in financial services directly signed up with fintechs and, through the fintech’s application, could choose from different financial products offered by a bank.

G. The DDA Banks.

48. DDA Bank 1 and DDA Bank 2 are federally regulated banks.

49. The DDA Banks are not FINRA members.

50. Starting in or around 2017 and 2022, Synapse Fi partnered with DDA Bank 1 and DDA Bank 2 respectively to provide banking services to end users.

51. End users who opened DDAs through fintechs would enter into an account agreement with a particular DDA Bank and deposit funds directly with that bank.

52. Prior to December 2023, end user funds in DDA Bank 1 were deposited in omnibus accounts in DDA Bank 1's name and held for the benefit of the end users ("FBO accounts").

53. The DDA Banks maintained ledgers at the omnibus account level and relied on Synapse Fi's ledgers to track individual end user account balances.

54. In September 2023, DDA Bank 1's services agreement with Synapse Fi expired.

55. The services agreement provided for a wind-down period and DDA Bank 1 continued providing some services to Synapse Fi until May 2024.

56. DDA Bank 2 terminated its services agreement with Synapse Fi in March 2024 with an effective date in May 2024.

FACTS

I. SYNAPSE FI AND THE DDA BANKS COULD NOT RECONCILE CUSTOMER FUNDS.

57. Starting in approximately 2022, the ledgers maintained by Synapse Fi and DDA Bank 1 had substantial differences with respect to the amount of end user funds held in the FBO accounts at DDA Bank 1.

58. Synapse Fi's records reflected more in end user funds on deposit at DDA Bank 1 than DDA Bank 1 claimed to hold.

59. On or around October 2023, Synapse Fi's biggest customer, a fintech whose end users had approximately \$3 billion deposited at DDA Bank 1, began partnering directly with DDA Bank 1 rather than using Synapse Fi as an intermediary.

60. Synapse Fi contended that DDA Bank 1 improperly migrated approximately \$49 million more in end user funds than it was entitled to during the fintech's transition away from Synapse Fi.

61. By October 2023, the ledgering discrepancy between DDA Bank 1 and Synapse Fi was widely known across Synapse Fi and Synapse Brokerage, including by Stanley who was aware that Synapse Fi's books did not match those of DDA Bank 1.

62. Synapse Fi's records at the time it ceased operating in May 2024 reflected approximately \$92 million more in end user deposits at DDA Bank 1 than DDA Bank 1 claimed to hold for the end users.

63. In 2022, DDA Bank 2 also discovered significant data integrity deficiencies and contradictions in Synapse Fi's record-keeping, including an inability to provide reconciliations of end user accounts.

64. In response to the reconciliation issues and concerns about end user funds, in or around December 2022, DDA Bank 2 required Synapse Fi to maintain a \$60 million minimum in end user account balances.

II. SYNAPSE BROKERAGE, UNDER STANLEY, LAUNCHED A CASH MANAGEMENT PROGRAM THAT WAS RELIANT ON SYNAPSE FI.

65. In an effort to ultimately transition away from DDA Bank 1 given its on-going dispute, Synapse Fi changed its operating model so that its then-dormant affiliate, Synapse Brokerage, would offer services directly to end users.

66. Stanley was warned that Synapse Brokerage was not ready for the transition but made the decision to proceed.

67. Thus, in September 2023, Synapse Brokerage began offering cash-management brokerage accounts to end users. End users became direct customers of Synapse Brokerage when their cash management accounts were opened.

A. The Structure of the Cash Management Program.

68. To transfer funds into a Synapse Brokerage account, customers were required to first deposit the money in a DDA account with a DDA Bank.

69. Synapse Brokerage represented to customers that all funds would be swept from the DDA Bank to a Synapse Brokerage omnibus bank account at a third bank and, from there, diversified among multiple banks (the “Program Banks”) with the aim of maximizing FDIC coverage for Synapse Brokerage customers.

70. The Program Banks used by Synapse Brokerage were distinct from the DDA Banks originally engaged by Synapse Fi.

71. Synapse Fi maintained a ledger that tracked the funds each customer held in their Synapse Brokerage account.

72. Synapse Brokerage earned substantial revenue through interest payments and fees from the Program Banks for the funds on deposit and a portion of those payments were passed on to fintechs or customers.

73. From September 2023 through mid-May 2024, Synapse Brokerage customers could not directly withdraw funds from Program Banks. Instead, funds would first need to be transferred through their Synapse Brokerage accounts to the DDA Banks before they could be withdrawn.

74. During this period, customer funds in DDA Bank 2 were deposited in an FBO account in Synapse Fi’s name.

75. From September to December 2023, customer funds in DDA Bank 1 were held in an FBO account in DDA Bank 1's name.

76. After December 2023, the omnibus accounts at DDA Bank 1 were retitled "Synapse Financial Technologies Synapse [*sic*] FBO Synapse Brokerage ACH Customers" and "Synapse Financial Technologies Synapse [*sic*] FBO Synapse Brokerage Wire Customers".

77. Thus, by January 2024, all customer funds sent from Synapse Brokerage to both DDA Banks were held in omnibus accounts in Synapse Fi's name—not Synapse Brokerage's or the DDA Banks's—for the benefit of Synapse Brokerage customers.

B. Synapse Brokerage Registered Persons Reported to Synapse Fi or Were Part Time.

78. Synapse Brokerage relied on employees of Synapse Fi to operate.

79. From January 2023 to May 2024, Stanley, who was employed by Synapse Fi, only performed work for Synapse Brokerage.

80. Although Stanley was the CEO and President of Synapse Brokerage as of December 2023, he reported to the unregistered Synapse Fi Chief Compliance Officer.

81. An operations professional, Representative 1, who was registered with FINRA through an association with the firm, was also employed by Synapse Fi.

82. Representative 1 split his time between Synapse Fi and Synapse Brokerage.

83. Representative 1 did not report to anyone at Synapse Brokerage but rather to the unregistered Synapse Fi Chief Technology Officer.

84. The only other registered Synapse Brokerage personnel were outside consultants, including Paverman, who were retained on a part-time basis to perform certain compliance and financial operations functions for Synapse Brokerage.

85. Paverman, the AMLCO at all relevant times, the nominal CEO until December 2023, and the CCO after December 2023, spent only approximately five hours a week on Synapse Brokerage business.

86. Other registered outside consultants typically spent similar amounts of time on Synapse Brokerage business.

C. Synapse Fi Personnel Performed Brokerage Functions.

87. In December 2023, Stanley signed an Amended and Restated Intercompany Service and Expense Sharing Agreement (the “Intercompany Agreement”) with Synapse Fi on behalf of Synapse Brokerage.

88. Under the Intercompany Agreement, Synapse Brokerage agreed to pay Synapse Fi to perform various services, including furnishing personnel “as may be required.”

89. The following activities were performed by unregistered persons at Synapse Fi on behalf of Synapse Brokerage:

- a. Onboarding customers to Synapse Brokerage;
- b. Communicating with fintechs on behalf of Synapse Brokerage relating to the cash management program and negotiating fees;
- c. Development of the design and technology behind the Synapse Brokerage cash management program;
- d. Accessing and maintaining Synapse Brokerage’s ledger;
- e. Directing transfers of customer funds;
- f. AML compliance, determinations as to what activity would be flagged for AML review, and responding to auditor findings (without the involvement of Synapse Brokerage’s AMLCO); and
- g. Selection of the Program Banks where Synapse Brokerage customer funds were held.

90. Unregistered Synapse Fi personnel had authority over Synapse Brokerage bank accounts and, on at least two occasions, transferred funds out of a Synapse Brokerage account without approval from Stanley or any other registered person.

III. STANLEY APPROVED THE OPENING OF CUSTOMER ACCOUNTS WITHOUT ADEQUATE AUTHORIZATION.

91. In connection with the launch of the cash management program, end users were sent notices by email from their fintechs (the “Opt-Out Notices”).

92. Synapse Brokerage provided language for the Opt-Out Notices distributed by fintechs to end users.

93. Stanley reviewed the Opt-Out Notices language provided to the fintechs.

94. Stanley also reviewed the Customer Agreement linked to the Opt-Out Notices.

95. The Opt-Out Notices stated that, unless end users contacted Synapse Brokerage to opt out, a brokerage account would be opened in their name and their funds in their DDA Bank accounts would be transferred to the Synapse Brokerage cash management program.

96. Prior to receiving the Opt-Out Notice, the end users had received no communications relating to Synapse Brokerage and had no reason to know of the firm or even that it existed.

97. If the end users opted out, their DDA Bank accounts would be closed, and their funds returned.

98. The Opt-Out Notices also informed end users that, by continuing to use their fintech application, they were agreeing to the terms of the Synapse Brokerage Customer Agreement (the “Customer Agreement”).

99. The Opt-Out Notices contained a link to the Customer Agreement.

100. The Opt-Out Notices were emailed to end users by their respective fintech starting in or around July 2023 through February 2024.

101. For example, on October 5, 2023, Fintech 1 distributed the notice to its end users. Within eight days, approximately \$200 million of Fintech 1 end users' funds belonging to approximately 650,000 end users were transferred from DDA Bank 1 to the Synapse Brokerage cash management program.

102. As another example, on October 13, 2023, Fintech 2 distributed its notice to its end users. Within a week, approximately \$60 million of end user funds belonging to approximately 32,000 Fintech 2 end users were transferred from DDA accounts at the DDA Banks to the Synapse Brokerage cash management program.

103. By the end of November 2023, Synapse Brokerage had opened over two million customer accounts and approximately \$388 million of end user funds had been transferred to Synapse Brokerage.

104. Many end users were unaware that their funds were no longer held in a DDA Bank account or that they were even Synapse Brokerage customers.

105. One fintech's records reflected that out of approximately 90,000 end users to receive the Opt-Out Notice, only approximately 29,000 opened the email and of those only 123 clicked on the links to the Customer Agreement or Terms of Service in the email.

106. Certain end users reported as phishing attempts to their fintechs third-party emails sent at the direction of Synapse Brokerage asking for customer suitability information.

107. Stanley approved the opening of over two million brokerage accounts for the customers who did not opt out.

108. Stanley was not aware of any affirmative authorization by the customers to open a brokerage account.

109. Synapse Brokerage did not obtain any executed new account documentation from customers before opening the accounts.

IV. MONTHS AFTER LAUNCH, SYNAPSE BROKERAGE CUSTOMERS WERE UNABLE TO ACCESS FUNDS.

A. Customer Funds Were Reallocated Away from Program Banks.

110. On or around December 31, 2023, DDA Bank 1 stopped sweeping Synapse Brokerage customer funds it received into Synapse Brokerage.

111. Stanley was aware that DDA Bank 1 stopped sweeping funds.

112. Neither Stanley nor Synapse Brokerage informed customers that their deposits to DDA Bank 1 were no longer being swept into the cash management program.

113. With DDA Bank 1 no longer sweeping funds into Synapse Brokerage accounts and instead holding an increasing amount of customer funds in omnibus accounts in Synapse Fi's name, Synapse Fi began reallocating Synapse Brokerage customer funds through ledger movements.

114. Reallocation consisted of moving funds between DDA Bank 1 and Program Banks by adjusting values on the ledger without an accompanying transfer of funds.

115. In other words, although the total balance in the omnibus account at DDA Bank 1 or the Program Banks would not change, the allocation on Synapse Brokerage and Synapse Fi's ledgers among different customers whose funds were at DDA Bank 1 or the Program Banks would change.

116. Importantly, there was no wire or ACH transfer accompanying the reallocation, which meant that only Synapse Fi and Synapse Brokerage could know that the funds had been reallocated. From the DDA Banks or the Program Banks's perspective, no funds had moved.

117. In addition, unlike a reallocation among the Program Banks to maximize FDIC coverage, DDA Bank 1 was not a part of Synapse Brokerage's cash management program, and the funds were reallocated outside of Synapse Brokerage's control.

118. On or about April 30, 2024, approximately a week after filing for bankruptcy, Synapse Fi reallocated on its ledger over \$85 million of Synapse Brokerage customer funds involving Fintech 1 end users from Program Banks to DDA Bank 1.

119. At the same time, to offset the reallocation, Synapse Brokerage customer funds involving other fintechs' end users were reallocated on Synapse Fi's ledger from DDA Bank 1 to Program Banks.

120. There was no wire or ACH transfer accompanying the reallocations.

121. However, Stanley and Synapse Brokerage could have identified the reallocations by reviewing the trial balance reports prepared by Synapse Fi.

122. The Synapse Brokerage customers whose funds were affected did not authorize these reallocations, nor were the reallocations made in connection with any customer transactions.

123. As a result of the reallocations, Synapse Brokerage customers who were Fintech 1 end users were negatively affected by having their funds subject to the ongoing dispute between Synapse Fi and DDA Bank 1.

B. Customer Funds Were Improperly Held in Synapse Fi Accounts.

124. The Opt-Out Notice and Customer Agreement both linked to and referred customers to Synapse Fi's Terms of Service.

125. The Terms of Service stated, in all capital letters, that “SYNAPSE [FI] DOES NOT AND WILL NOT CONTROL, TRANSMIT OR HOLD YOUR FUNDS PURSUANT TO THESE TERMS OF SERVICE” and “Synapse [Fi] does not perform any banking function on your behalf, including, without limitation, holding or transmitting funds.”

126. On or around December 31, 2023, the accounts at DDA Bank 1 were retitled from DDA Bank 1’s name to be in Synapse Fi’s name.

127. Stanley was aware that the accounts were retitled.

128. But neither Stanley nor anyone at Synapse Brokerage investigated whether the new accounts were inconsistent with how the cash management program was described to customers.

129. Nor were the Terms of Service amended to reflect that the DDA Bank 1 accounts were titled in Synapse Fi’s name.

130. Synapse Brokerage customers were not otherwise informed that their funds were being held in a Synapse Fi account.

C. Customer Funds Were Not Returned on Demand.

131. Synapse Fi and DDA Bank 1’s dispute came to a head in early May 2024 resulting in DDA Bank 1’s refusal to perform payment processing services for Synapse Brokerage.

132. By this time, DDA Bank 2 had terminated its agreement with Synapse Fi as alleged above.

133. Thus, beginning May 11, 2024, Synapse Brokerage customers were unable to withdraw any funds from their Synapse Brokerage cash management accounts, including from the Program Banks, because all such withdrawals still had to go through the DDA Banks.

134. According to Synapse Brokerage's records, at this time there was a total of approximately \$110 million in customer funds held in Program Banks.

135. Funds held at DDA Bank 1 were also frozen and inaccessible to Synapse Brokerage customers.

136. At the end of May and in June 2024, the funds in the Program Banks were returned to customers.

137. Customers funds held at DDA Bank 1, which in a large part consisted of the Fintech 1 end user funds that had been reallocated on April 30, remained inaccessible.

138. In November 2024, DDA Bank 1 began releasing funds to Synapse Brokerage customers.

139. However, because of the ledgering discrepancy alleged above, customers whose funds were allocated to DDA Bank 1 have only been able to recover a fraction of their funds.

V. CUSTOMER FUNDS AT DDA BANK 2 ALSO BECAME FROZEN.

140. Stanley routinely approved the transfer of customer funds from the Program Banks to the Synapse Fi omnibus account at DDA Bank 2 to satisfy the \$60 million minimum balance that DDA Bank 2 imposed on Synapse Fi.

141. Synapse Brokerage did not inform customers that it was transferring their funds to DDA Bank 2 to satisfy a Synapse Fi obligation.

142. To the contrary, Synapse Brokerage represented in the Opt-Out Notice and Customer Agreement that any balance above \$0.00 in the DDA Banks would be swept to the Program Banks.

143. Customers did not direct or otherwise specifically authorize the transfer of funds to DDA Bank 2 to satisfy the \$60 million minimum.

144. From May until August 2024, DDA Bank 2 froze approximately \$62 million of Synapse Brokerage customer funds while it attempted to determine who was entitled to the funds.

145. By the end of September 2024, approximately 90 percent of the funds held by DDA Bank 2 were returned to Synapse Brokerage customers.

VI. STANLEY DID NOT REASONABLY SUPERVISE THE CASH MANAGEMENT PROGRAM.

146. As President and CEO of Synapse Brokerage, Stanley was responsible for supervising the firm's cash management program.

147. Stanley was also responsible for ensuring the Synapse Brokerage cash management program operated in compliance with FINRA and Exchange Act rules.

148. Under Stanley, Synapse Brokerage's supervisory systems were not reasonably designed to achieve compliance with federal securities laws or FINRA rules.

149. No one at Synapse Brokerage ever supervised customer account balances or activity.

150. Nor did Synapse Brokerage ever generate or review any exception reports relating to the transfer of customer funds.

151. Nor did Synapse Brokerage ever adopt or implement any other procedures relating to the supervision of customer account balances or activity.

152. Synapse Brokerage's written supervisory procedures (WSPs) were tailored to a securities business—not a cash management business. For example, nearly half of the firm's WSPs related to trading, fixed income securities, options, mutual funds, and designated securities—none of which were offered by Synapse Brokerage.

153. Stanley failed to implement the WSPs as they related to the cash management program and no procedures to ensure supervision of customer account balances and activity were ever adopted or implemented.

A. Stanley Failed to Supervise the Opening of Synapse Brokerage Accounts.

154. The WSPs stated that “[A] customer must provide written affirmative consent prior to having free credit balances in their securities account included in a sweep program” and that “[c]ustomers’ consent to opening a Synapse [c]ash account and participating in the sweep program will be obtained electronically through the [f]irm’s platform.”

155. Synapse Brokerage, acting through Stanley, did not obtain adequate authorization from customers before opening Synapse Brokerage cash management accounts or before transferring customer funds to the sweep program at the Program Banks.

156. Stanley approved the opening of over two million customer accounts without adequate authorization by customers.

157. In addition to Synapse Brokerage’s WSPs, Exchange Act Rule 15c3-3(j)(2) required broker-dealers to receive affirmative consent before transferring credit balances to another financial institution or a bank sweep program.

B. Stanley Failed to Supervise the Transfer of Customer Funds.

158. Stanley approved the transfer of customer funds between Synapse Brokerage’s cash management program and the DDA Banks without adequate authorization or affirmative consent from the customers.

159. The WSPs section on “Review of Funds Transmittals” stated that “All transmittal of customer funds to third party accounts, outside entities, locations other than customer’s primary address, and to registered representatives, including hand delivery of checks, will be reviewed upon occurrence.”

160. Stanley did not conduct this review for fund transfers to the DDA Banks.

161. Nor did he delegate this review to anyone.

162. Despite being copied on emails stating that omnibus accounts at the DDA Banks were held in Synapse Fi's name, Stanley did not investigate whether Synapse Brokerage customer funds were being transferred outside of Synapse Brokerage or customer control.

C. Stanley Failed to Supervise Synapse Fi Personnel Performing Work for Synapse Brokerage.

163. The WSPs assigned Stanley with responsibility for approving outsourcing arrangements and monitoring the performance of any outsourced activities.

164. Synapse Brokerage relied on Synapse Fi personnel to perform many functions at Synapse Brokerage, yet it failed to have policies or procedures that documented how those individuals would be supervised when they were performing work for Synapse Brokerage.

165. To the contrary, the Intercompany Agreement expressly stated that Synapse Brokerage was not responsible for supervising Synapse Fi personnel.

166. Synapse Brokerage never finalized a set of money movement procedures. But a draft stated that the "SynapseFi [sic] finance team will perform oversight over [b]rokerage company account balances and activity as per this procedure."

167. The draft procedures also said that activity would be reviewed by an undefined group, "Synapse Brokerage Operations."

168. Representative 1, who authored the draft procedures, was not sure who Synapse Brokerage Operations was referring to.

169. Stanley thought that the draft procedures meant the FINOP was reviewing the activity.

170. The FINOP thought Synapse Brokerage Operations was Representative 1.

171. In reality, no one at Synapse Brokerage was supervising the Synapse Fi finance team.

172. Although Synapse Fi personnel were conducting nearly all operations of Synapse Brokerage, they were not treated as associated persons or reasonably supervised by firm personnel. For example, multiple Synapse Fi personnel with access to customer information or bank accounts were not fingerprinted.

173. The WSPs stated that “written contracts should properly document the terms of service provided” but the Intercompany Agreement was vague and did not clearly describe what functions were outsourced to Synapse Fi.

174. For example, the Intercompany Agreement stated that Synapse Fi would “assist[] with bookkeeping and financial management.”

175. However, Synapse Fi was fully responsible for maintaining Synapse Brokerage’s ledgers and tracking customer funds.

176. In fact, neither Stanley, nor anyone else associated with the firm had direct access to the Synapse Brokerage ledgers.

177. Information on Synapse Brokerage’s ledgers was only available through reports provided by Synapse Fi personnel.

178. Stanley did not know the full names of the Synapse Fi personnel responsible for Synapse Brokerage’s ledger.

179. In addition, Synapse Brokerage accepted customer funds based on representations of account balances from Synapse Fi without any verification, including in the face of red flags that there were reconciliation discrepancies between Synapse Fi and DDA Bank 1.

180. Further, once the unverified customer balances were received in the brokerage cash sweep program, Stanley and the firm had no process to verify that Synapse Fi accurately maintained Synapse Brokerage customer balance ledgers.

181. Stanley and Synapse Brokerage completely relied on Synapse Fi to tell them which customers sent and received funds, and how.

182. Stanley did not implement any controls, automated or otherwise, to prevent Synapse Fi personnel from reallocating Synapse Brokerage customer funds among accounts.

183. As alleged above, in April 2024, over \$85 million of Synapse Brokerage customer funds were reallocated through ledgering movements by unregistered Synapse Fi personnel that were unauthorized by Synapse Brokerage customers.

184. The reallocations, including the \$85 million reallocation, were reflected on the trial balance report prepared by Synapse Fi.

185. Neither Stanley, nor anyone at Synapse Brokerage, investigated why customer funds were shown as moving in and out of the cash management program without customer authorization or an accompanying transfer of funds.

VII. SYNAPSE BROKERAGE FAILED TO PRESERVE ELECTRONIC COMMUNICATIONS AND CUSTOMER ACCOUNT INFORMATION.

186. Starting in December 2023, Paverman was responsible for maintaining certain of Synapse Brokerage's books and records, including electronic communications.

A. Failure to Preserve Electronic Communications.

187. Instant messages were the primary means by which Stanley and Representative 1 communicated with each other and with Synapse Fi personnel about Synapse Brokerage's business.

188. However, Synapse Brokerage did not preserve instant messages and did not have a system in place to do so.

189. Synapse Brokerage also failed to preserve emails for three of the firm's registered representatives, including Representative 1 and the financial operations principal.

190. Paverman was warned of the email preservation issue multiple times by a compliance consultant, but he never addressed it.

191. Synapse Brokerage also failed to preserve electronic communications of Synapse Fi personnel conducting Synapse Brokerage functions.

192. Paverman was aware that Synapse Fi personnel were conducting Synapse Brokerage functions.

193. As a result of these document preservation failures, Synapse Brokerage was unable to produce responsive instant messages and emails to FINRA in connection with its investigation of Synapse Brokerage's misconduct.

B. Paverman Made False Representations to FINRA and Failed to Comply with His Undertaking.

194. In May 2023, Paverman filed an Exchange Act Rule 17a-4(f) undertaking with FINRA stating that Synapse Brokerage directly contracted with the vendor for record retention.

195. The filing also stated that Synapse Brokerage had independent access to its records maintained by the vendor.

196. Those statements were false.

197. Synapse Brokerage did not have a contract with the vendor—Synapse Fi did.

198. Synapse Brokerage did not have independent access to the cloud drive but was reliant on Synapse Fi.

199. Because Synapse Brokerage did not have the independent access to its books and records, Paverman, on behalf of Synapse Brokerage, was unable to comply with the undertaking to provide FINRA with even basic information about customer accounts and balances.

**FIRST CAUSE OF ACTION
UNREASONABLE SUPERVISION
FINRA Rules 3110 and 2010
(Stanley)**

200. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 199.

201. FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

202. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

203. The written procedures must be tailored to the business lines in which the firm engages, and they also must set out mechanisms for ensuring compliance and detecting violations, not merely set out what conduct is prohibited.

204. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation.

205. In Regulatory Notice 09-64 (November 2009), FINRA reminded member firms that “[a]s part of their duty to safeguard customer assets and to meet their supervisory

obligations, FINRA firms must have and enforce policies and procedures governing the withdrawal or transmittal of funds or other assets from customer accounts.”

206. In Notice to Members 05-48 (July 2005), FINRA reminded firms that they have “a continuing responsibility to oversee, supervise, and monitor [a] service provider’s performance of covered activities.”

207. In Regulatory Notice 22-10 (March 2022), FINRA reminded member firms that “A firm’s supervisory obligations under Rule 3110 rest with the firm and its president (or equivalent officer or individual, e.g., CEO) and flow down by delegation to the firm’s designated supervisors.”

208. From at least September 2023, when he assumed control of the firm’s cash management program, to May 2024, Stanley was responsible for establishing, maintaining, and enforcing Synapse Brokerage’s supervisory policies and procedures related to its cash management program.

209. From at least September 2023 to May 2024, Synapse Brokerage, through Stanley, failed to establish and maintain a supervisory system reasonably designed to ensure compliance with FINRA rules.

210. Synapse Brokerage’s supervisory systems for ensuring compliance with the opening and supervision of cash management accounts and handling of customer funds were unreasonable.

211. The firm’s WSPs were not tailored to the only business line it operated—its cash management program.

212. Instead, the WSPs were general in nature and did not address how the cash management program was operated.

213. The firm drafted money movement procedures, but Stanley never implemented them.

Stanley Authorized Accounts To Be Opened Without Adequate Authorization.

214. Stanley was responsible for approving the opening of customer accounts at Synapse Brokerage.

215. He approved the opening of hundreds of thousands of Synapse Brokerage accounts without obtaining adequate authorization from customers.

Stanley Failed to Reasonably Supervise Transfers and Withdrawals of Customer Funds.

216. Stanley was responsible for approving transfers of Synapse Brokerage customer funds.

217. Both the firm's WSPs and Exchange Act Rule 15c3-3(j)(2) required affirmative consent before transferring funds into the cash sweep program.

218. Stanley approved the transfer of customer funds without adequate authorization from customers.

219. Stanley also failed to establish and implement a system to supervise the transfer of Synapse Brokerage customer funds from the Program Banks.

220. The firm, under him, failed to detect the reallocation of tens of millions of dollars of funds through ledgering movements from Synapse Brokerage cash management accounts to DDA Bank 1 that occurred without customer authorization.

Stanley Failed to Supervise Non-Firm Personnel Engaged in Brokerage Functions.

221. Stanley was responsible for supervising the cash management business but failed to reasonably supervise Synapse Fi personnel conducting Synapse Brokerage business.

222. Unregistered Synapse Fi personnel conducted key brokerage functions, including (i) maintaining and editing the ledgers; (ii) transferring funds from Synapse Brokerage bank accounts; (iii) communicating with Synapse Brokerage customers; (iv) onboarding customers; (v) designing and developing the cash management program; and (v) supervising Synapse Brokerage personnel.

Stanley Failed to Investigate Red Flags of Ledgering Discrepancies.

223. Stanley knew by October 2023 that ledgers for DDA Bank 1 and Synapse Fi could not be reconciled.

224. Despite knowing that DDA Bank 1 and Synapse Fi's ledgers differed, Stanley continued to permit Synapse Fi personnel to control its ledgers and customer account information.

225. Despite knowing that DDA Bank 1 and Synapse Fi's ledgers differed, Stanley did not verify that the Synapse Brokerage customer balances reported by Synapse Fi were accurate.

226. Stanley failed to take any reasonable steps in the face of these red flags.

227. Accordingly, Stanley violated FINRA Rules 3110 and 2010.

**SECOND CAUSE OF ACTION
CAUSING A FIRM TO FAIL TO MAINTAIN BOOKS AND RECORDS
FINRA Rules 4511 and 2010
(Paverman)**

228. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 199.

229. Exchange Act Section 17(a) requires registered broker-dealers to “make and keep for prescribed periods such records . . . as the Commission, by rule, prescribes as necessary or appropriate in the public interest.”

230. Exchange Act Rule 17a-3(a)(2) requires firms to maintain “[l]edger accounts (or other records) itemizing separately as to each cash, margin or security-based swap account of every customer . . . all other debits and credits to such account.”

231. Exchange Act Rule 17a-4(b)(4) requires broker-dealers to maintain and preserve, for a period of not less than three years, originals of all communications received and copies of all communications sent relating to the firm’s business.

232. FINRA Rule 4511 requires member firms to “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.”

233. A person registered with a member firm who causes the firm to fail to maintain and preserve books and records that are required to be maintained by the firm pursuant to FINRA Rule 4511 violates FINRA Rules 4511 and 2010.

234. A violation of FINRA Rule 4511 is also a violation of FINRA Rule 2010.

235. Starting in December 2023, Paverman was responsible for ensuring that the firm’s electronic communications were preserved.

236. From December 2023 to June 2024, Synapse Brokerage, acting through Paverman, failed to preserve electronic communications of three of its registered representatives; failed to preserve instant messages of any of its registered representatives; and failed to preserve electronic communications of Synapse Fi personnel who performed brokerage functions.

237. Accordingly, Paverman violated FINRA Rules 4511 and 2010.

**THIRD CAUSE OF ACTION
FALSE CERTIFICATION TO FINRA
FINRA Rule 2010
(Paverman)**

238. The Department of Enforcement realleges and incorporates by reference paragraphs 1 through 199.

239. Misrepresentations to FINRA, including by providing a false certification, are a violation of FINRA Rule 2010.

240. In May 2023, Paverman filed an undertaking with FINRA pursuant to Exchange Act Rule 17a-4(f)(2) stating that Synapse Brokerage directly contracted with a vendor for record retention.

241. Paverman also represented in the same undertaking that Synapse Brokerage had independent access to the records maintained by the vendor.

242. Those representations to FINRA were false when they were made. Synapse Brokerage did not directly contract with the vendor to maintain its books and records. The contract was between the vendor and Synapse Brokerage's parent, Synapse Fi.

243. Synapse Brokerage also did not have independent access to the records maintained by the vendor because it was reliant on Synapse Fi to obtain access to those records.

244. In the same filing, Paverman undertook, on behalf of Synapse Brokerage, to promptly furnish requested information to FINRA and other regulators.

245. Because Synapse Brokerage did not have independent access to its books and records, Paverman, on behalf of Synapse Brokerage, was unable to provide FINRA staff with requested information.

246. Accordingly, Paverman violated FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 28, 2025



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