

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022074734102**

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

RE: Eduardo Leon (Respondent)
General Securities Representative
CRD No. 2232647

Pursuant to FINRA Rule 9216, Respondent Eduardo Leon 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

Leon entered the securities industry in 1992 when he became registered as a General Securities Representative (GSR) and General Securities Principal (GP) through his association with a FINRA member. Subsequently, from approximately February through July 1994, Leon was registered as a GSR and GP through an association with a different former FINRA member. In July 1994, Leon became registered as a GSR and GP through his association with Global Financial Services, LLC, where he currently remains associated.¹

OVERVIEW

In November 2020 and February 2021, Leon recommended that three retail customers and six non-retail customers purchase and hold a volatility-linked exchange-traded note without having a sufficient understanding of its risks and features. In addition, in January 2022, Leon recommended that the same three retail customers and three of the same non-retail customers purchase a foreign currency denominated corporate bond that was not in the best interests of the retail customers and was not suitable for the non-retail customers, and in amounts that resulted in concentration levels that were inconsistent with the customers' investment profiles. As a result, Leon willfully violated Rule 15c-1 of the

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

Securities Exchange Act of 1934 (Regulation BI or Reg BI) and violated FINRA Rules 2111 and 2010.

For these violations, Leon is suspended for four months and fined \$7,500.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination conducted by FINRA.

Leon recommended investments that were not in the best interests of his retail customers.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15c-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Reg BI's Adopting Release provides that what constitutes "reasonable diligence" depends on, among other things, the complexity of, and risks associated with, the recommended security.² The Care Obligation requires broker-dealers and their associated persons to have a reasonable basis to believe that the recommendation could be in the best interest of at least *some* retail investors.

Reg BI's Care Obligation also requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Regulation BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

The Adopting Release further provides that what is in the best interest of a retail customer depends on the facts and circumstances of the recommendation, including "matching" the recommended security to the retail customer's investment profile. Where the "match" between the retail customer profile and the recommendation appears less reasonable, it is more important for the associated person to establish that he or she had a

² *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33376 (July 12, 2019).

reasonable belief that the recommendation was in the best interest of the retail customer.³ Finally, the Adopting Release provides that, in addition to “matching” the recommendation to the customer’s suitability profile, an associated person should also exercise reasonable diligence, care, and skill to consider reasonably available alternatives.⁴

A violation of Reg BI 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.

The VXX is an exchange-traded note that offers investors exposure to the returns of one and two-month futures contracts on the CBOE Volatility Index (the “VIX Index”). The VIX Index is designed to measure the market’s expectations of volatility in large cap U.S. stocks over the next 30-day period. Although the VXX moves in the opposite direction of the index it tracks, it has its own independent risks. Most significantly, it is generally expected to lose value as time moves on, and thus it is rarely if ever considered to be a prudent long-term investment. The value of futures contracts on the VIX Index generally decreases over time. As a result, the VXX is rarely if ever suitable as a long-term investment, but instead is generally held for brief periods measured in days for short-term speculation or to hedge a portfolio against a market downturn, rather than months or even weeks.

In February 2021, Leon recommended that three retail customers of Global Financial Services purchase and hold the VXX. When he made those recommendations, Leon did not have a sufficient understanding of the features and risks associated with the note, including that the product was a risky investment, intended to be held for short durations. The customers’ moderate risk tolerances and their lack of previous investment experience in any exchange-traded products were also inconsistent with the risks described in the fund’s prospectus, including the risk that they might lose all or a substantial portion of the investment. As a result, Leon did not have a reasonable basis to believe that the VXX could be in the best interest of these or any retail customers.

In July 2022, after the firm implemented a system for detecting customer accounts with long-term holdings of complex products like the VXX, the firm contacted these customers concerning their investments. After the firm explained the risks related to their positions, two customers elected to remain in their positions and the other customer elected to sell.

In addition, in January 2022, Leon recommended that the same three customers purchase a foreign currency denominated corporate bond, after its credit rating declined, in amounts that resulted in concentration levels that were inconsistent with their investment profiles.⁵ The firm contacted each retail customer to discuss the investment and all but

³ Adopting Release at 33382.

⁴ Adopting Release at 33381.

⁵ The bond subsequently defaulted.

one decided to continue to hold the investment. That customer complained and the firm resolved the complaint.

Therefore, Leon willfully violated Exchange Act Rule 15c-1(a)(1) and violated FINRA Rule 2010.

Leon made unsuitable recommendations to his non-retail customers.

While Reg BI applies to securities recommendations made to retail customers, FINRA Rule 2111 continues to apply to securities recommendations made to non-retail customers. FINRA Rule 2111 requires members and associated persons to “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.” FINRA Rule 2111, Supplementary Material .05(a), defines the reasonable-basis suitability obligation embodied in Rule 2111, and requires a member or associated person to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least *some* investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the member’s or associated person’s familiarity with the security or investment strategy.

A violation of FINRA Rule 2111 is also a violation of FINRA Rule 2010.

In November 2020 and February 2021, Leon recommended six non-retail customers purchase and hold the VXX. When he made those recommendations, Leon did not have a sufficient understanding of the features and risks associated with the note for the same reasons discussed above.⁶ As a result, Leon did not have a reasonable basis to believe that the VXX could be suitable for any non-retail customers.

In July 2022, the firm contacted these customers concerning their investments and explained the risks related to their positions, as it had with the three retail customers discussed above. All six non-retail customers elected to remain in the position.

In addition, in January 2022, Leon recommended that three of those six non-retail customers purchase the same foreign currency denominated corporate bond discussed above in amounts that resulted in concentration levels that were inconsistent with their investment profiles. The firm contacted each non-retail customer to discuss the investment and all but one decided to continue to hold the bond. That customer complained and the firm resolved the complaint.

Therefore, Leon violated FINRA Rules 2111 and 2010.

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

⁶ One of the non-retail customers had purchased, held, and sold the VXX in 2018 for a loss.

- a four-month suspension from associating with any FINRA member in all capacities and
- a \$7,500 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.

Respondent understands that this settlement includes a finding that he willfully violated Rule 15l-1 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

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 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.

4/24/25
Date



Eduardo Leon
Respondent

Reviewed by:



Andrew R. Harvin
Counsel for Respondent
Doyle, Restrepo, Harvin & Robbins, LLP
The Lyric Centre
440 Louisiana, Suite 2300
Houston, Texas 77002

Accepted by FINRA:

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

5/8/2025

Date



Alex Marinello
Principal Counsel
FINRA
Department of Enforcement
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