

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022076855802**

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

RE: Angelo J. Piccone (Respondent)
Former General Securities Representative
CRD No. 1401761

Pursuant to FINRA Rule 9216, Respondent Angelo J. Piccone 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

Piccone first became registered with FINRA as an Investment Company and Variable Contracts Products Representative (IR) in 1985 through an association with a member firm. He then became registered with FINRA as a Direct Participation Programs Representative (DR) in 1988, and as a General Securities Representative (GS) in 1992, through his association with that member firm. Piccone was subsequently associated with other member firms. In April 2011, Piccone became registered with FINRA as an IR, DR, and GS through an association with IBN Financial Services, Inc. (CRD No. 42360). On November 15, 2024, IBN filed a Uniform Termination Notice for Securities Industry Registration (Form U5) reflecting Piccone's resignation from IBN.

Although Piccone is no longer registered or associated with any FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

OVERVIEW

Between November 2020 and February 2021, while associated with IBN, Piccone recommended that a retail customer invest 77% of her net worth, not including her

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

primary residence, in speculative alternative investments. Piccone's recommendations to the customer were not in the customer's best interest based on her investment profile. Therefore, Piccone willfully violated Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 (Reg BI) and violated FINRA Rule 2010.

From April 2021 to June 2022, Piccone used his personal mobile device to exchange text messages with the customer to conduct securities business. In one of those communications, Piccone made an unbalanced, promissory and misleading statement to the customer regarding the prospects for recovery related to one of her investments. Because Piccone used an unapproved channel for business-related communications, IBN was unable to preserve those communications as required by Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder. By causing IBN to maintain incomplete books and records, Piccone violated FINRA Rules 4511 and 2010, and by sending an unbalanced, promissory, and misleading communication to a customer, Piccone violated FINRA Rules 2210(d) and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Legal framework

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 Rule 15c-1(a)(2)(ii), 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. Reg 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.

A recommendation may not be suitable or in the best interest of a customer if it results in a concentration in a particular security or category of securities that creates a risk of loss inconsistent with the customer's investment profile.

Violations of Reg BI are also violations of FINRA Rule 2010, which requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

2. GWG Holdings, Inc.

GWG is a publicly traded financial services company. Prior to 2018, GWG purchased life insurance policies through its subsidiaries on the secondary market. GWG continued to pay the premiums for each policy that it purchased and collected the policy benefits upon the insured's death. Following a series of transactions in 2018 and 2019 with Beneficient Company Group, L.P., GWG reoriented its business, stopped acquiring life insurance policies, and focused instead on developing a business model of providing liquidity to holders of illiquid investments and alternative assets.

GWG had a history of net losses and had not generated sufficient operating and investing cash flows to fund its operations. To finance its operations, GWG offered corporate bonds (known as L Bonds) to investors with varying maturity periods and interest rates. L Bonds were not directly secured by GWG's life insurance portfolio and were not rated by any bond rating agency.

GWG sold L Bonds to retail investors in four separate offerings and made those sales through a network of broker-dealers, including IBN. The offering documents for the third and fourth L Bond offerings, which commenced in December 2017 and June 2020, respectively, stated the bonds could be considered speculative, involved a high degree of risk, were illiquid, and were only suitable for persons with substantial financial resources and with no need for liquidity.

In January 2022, after one of Piccone's customers made investments in the L Bonds, GWG defaulted on its obligations to L Bond investors and suspended further sales of L Bonds. In April 2022, GWG filed for bankruptcy.

3. Piccone's investment recommendations were not in the customer's best interest

Between November 2020 and February 2021, Piccone recommended 11 sales of speculative, illiquid alternative investments totaling \$457,000 to a retail customer. These recommendations included two sales of GWG L Bonds totaling \$90,000 from the fourth offering.² The customer had a moderate risk tolerance, an annual income of no more than \$25,000, and a net worth, not including primary residence, of \$587,438. The customer's investment objectives were preservation of capital, current income, and funding retirement, and they did not include speculation. Piccone earned \$23,905.81 in commission in connection with his recommendations of these alternative investments to the customer.

As a result of Piccone's recommendations, the customer became 77% concentrated in alternative investments, including a 15% concentration in L Bonds. Piccone's recommendations that the customer invest \$457,000 in speculative alternative investments, including L Bonds, were not in the customer's best interest based on her investment profile, including her moderate risk tolerance.

² The customer brought and settled an arbitration claim against IBN relating to her GWG investments.

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

4. Piccone used an unapproved channel for business-related communications and sent an unbalanced communication to the customer through that channel

FINRA Rule 4511 requires that each member “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4) require member firms to maintain, for a period of at least three years, originals of all communications received and copies of all communications sent relating to the member’s business, including text messages. A registered representative who causes their member firm to fail to comply with these recordkeeping obligations violates FINRA Rule 4511.

FINRA Rule 2210 addresses communications with the public by FINRA members and their associated persons and includes content standards that apply to such communications. FINRA Rule 2210(d)(1)(A) requires all member communications be based on principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communication to be misleading. FINRA Rule 2210(d)(1)(B) states that no member may make any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication or publish, circulate, or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

A violation of FINRA Rule 2210 or FINRA Rule 4511 also constitutes a violation of FINRA Rule 2010.

IBN’s policies permitted registered representatives to use text messages only to confirm appointments with clients. Between April 2021 and June 2022, however, Piccone communicated with the customer identified above about securities business via text message on his personal phone. Piccone did not provide those text messages to IBN for review or retention. As a result, IBN did not preserve these text messages.

Piccone’s communications included an April 2022 message where Piccone told the customer that GWG was in the process of being dissolved, and that “[w]hen the company is sold we will get your money back.” Piccone’s statement was unbalanced and did not provide a sound basis for evaluating GWG’s status because it made only positive claims about the prospects of recovering the customer’s investment, and did not address the potential for loss. Piccone’s statement was also promissory and misleading because it guaranteed the customer would recover her money.

By using personal text messages to communicate with customers about firm business, Piccone caused IBN to fail to comply with its recordkeeping obligations under the Exchange Act, and, thereby, violated FINRA Rules 4511 and 2010. By sending an unbalanced, promissory, and misleading communication to a customer, Piccone violated FINRA Rules 2210(d)(1)(A), 2210(d)(1)(B), 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;
- a \$10,000 fine; and
- disgorgement of \$23,905.81 plus interest as described below.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 sanctions imposed in this matter.

Disgorgement of commissions received is ordered to be paid to FINRA in the amount of \$23,905.81, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from February 10, 2021, until the date this AWC is accepted by the National Adjudicatory Council (NAC). Disgorgement shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 15c-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:

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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, 2024

Date

Angelo Piccone

Angelo J. Piccone
Respondent

Reviewed by:

Gregg Breitbart

Gregg Breitbart
Counsel for Respondent
Kaufman Dolowich LLP
100 SE Third Avenue
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Accepted by FINRA:

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

January 29, 2025

Date

Carly M. Kostakos

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Senior Counsel
FINRA
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