

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068737101**

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

RE: Redbridge Securities LLC (Respondent)
Member Firm
CRD No. 287912

Pursuant to FINRA Rule 9216, Respondent Redbridge Securities LLC 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

Redbridge Securities LLC, which has been a FINRA member firm since December 2017, offers self-directed trading to retail investors through its mobile application and website. The firm is headquartered in Plano, Texas, and has approximately 10 registered representatives and one branch office.¹

OVERVIEW

From September 2019 to October 2023, Redbridge failed to establish and implement an anti-money laundering (AML) compliance program reasonably designed to detect and cause the reporting of suspicious transactions by the firm's customers, in violation of FINRA Rules 3310(a), 3310(f)(ii), and 2010. Between September 2019 and October 2022, Redbridge also failed to establish and implement a reasonable program to achieve compliance with customer identification and risk profile requirements in violation of FINRA Rules 3310(b), 3310(f)(i), and 2010. In addition, Redbridge failed to conduct a reasonable independent test of its AML program in 2019 and 2020 or any independent test in 2021, in violation of FINRA Rules 3310(c) and 2010.

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

Redbridge also failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation, in violation of FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Redbridge failed to develop and implement a reasonable AML program.

FINRA Rule 3310 requires each member firm to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the [firm’s] compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury.”

A violation of FINRA Rule 3310 also is a violation of FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

a. Redbridge failed to develop and implement a written AML Program reasonably designed to detect and cause the reporting of suspicious transactions.

FINRA Rule 3310(a) requires each member firm to “[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.” The implementing regulation, 31 C.F.R. § 1023.320, requires broker-dealers, under specified circumstances, to file with the Financial Crimes Enforcement Network “a report of any suspicious transaction relevant to a possible violation of law or regulation.” FINRA Rule 3310(f), which restates 31 C.F.R. § 1023.210(b)(5), requires that a member firm’s AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including “(i) [u]nderstanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (ii) [c]onducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.”

Regulatory Notice 19-18, issued in May 2019, provided examples of red flags suggestive of suspicious activity, including, among others, that a customer engages in pre-arranged or other non-competitive securities trading, including wash or cross trades, with no apparent business purpose. Notice 19-18 further explained that “[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a [suspicious activity report] SAR filing may be warranted.” Regulatory Notice 21-03, issued in February 2021, provided examples of red flags of potential securities fraud involving low-priced securities,² including, among

² Low-priced securities are also referred to as “microcap stocks” or “penny stocks,” and tend to be volatile and trade in low volumes. See Regulatory Notice 21-03.

others, “multiple new customers opening accounts (particularly if they reside overseas and communicate with the firm only through electronic means) who either deposit shares of the same issuer or were introduced by the same individual” and “customers that engage in transactions that are consistent with an intent to affect the price of a low-priced stock.”

At all relevant times, Redbridge was an introducing broker-dealer that offered customers self-directed trading via an online portal. The majority of the firm’s customers were retail customers located in high-risk money laundering jurisdictions, including China. Many of those customers regularly bought and sold shares of low-priced securities and some customers were introduced to the firm by issuers or otherwise had financial connections to the issuers of the securities they purchased. From September 2019 through October 2023 Redbridge failed to establish an AML program that could reasonably be expected to detect and cause the reporting of suspicious activity in light of the firm’s business model and customer base.

Redbridge’s AML program was not reasonably designed to detect or investigate red flags of suspicious activity, including potentially manipulative trading. The firm’s written procedures did not reasonably address how the firm would detect or investigate red flags. They also failed to identify the specific alerts and reports used by the firm to identify potentially suspicious transactions, and they did not describe how such alerts or reports should be utilized by the firm’s AML analysts. Although the firm used alerts to identify high-volume trading and certain kinds of wash trades, it did not have any automated method to identify other types of suspicious activity that could suggest market manipulation, including cross trading, layering, spoofing or other types of coordinated trading until September 2022. Moreover, until September 2022, the firm conducted no order-level surveillance and did not supervise for canceled trades; in September 2022, the firm began to implement certain order-level surveillance but did not reasonably investigate activity that was flagged. Further, although the firm collected customer’s physical address and Internet Protocol (IP) address as part of its Customer Identification Program (CIP) and AML processes, none of the alerts or exception reports utilized by the firm identified instances when customers were trading from the same physical or IP address.

In addition, Redbridge did not have a reasonable system to investigate the red flags of suspicious activity that its surveillance identified. The firm did not have staff reasonably trained to investigate activity flagged by alerts related to high-volume trading or potential cross trading, or to consider whether such activity required the filing of a SAR. Even when the firm’s analysts identified potentially suspicious activity, the firm often only restricted trading in the individual security at issue and did not investigate further trading by the same customer.

As a result, on numerous occasions, Redbridge failed to detect or reasonably investigate red flags in connection with customer deposits and trading activity in low-priced securities, including the following:

- Between February and August 2020, three customers deposited shares of a low-priced security they acquired directly from the issuer (Issuer A), and shortly thereafter, entered orders to buy and sell shares of the issuer, sometimes with the same limit price, in close proximity to each other and to other Redbridge customers. Although some of the trades triggered the firm’s alerts for suspicious activity, the firm closed such alerts without reasonably investigating the activity.
- Between March and October 2021, several of the firm’s customers who deposited low-priced shares of a digital asset mining company (Issuer B) shared the same mailing address or opened accounts on the same day. The firm also failed to detect or reasonably investigate that the same customers, many of whom used a common IP address, entered orders that appeared to prop up the share price of Issuer B’s securities; engaged in trading that did not appear to make rational economic sense; and transferred the sales proceeds to other financial institutions following share liquidations. Although many of the trades triggered the firm’s alerts, including its alerts for wash trades, the firm closed the alerts with observations such as “client was selling now appears to be buying,” without conducting a reasonable review of the trading.
- Between September and December 2022, four customers who had bought approximately half the shares of a low-priced security issued by a company offering tutoring services in China (Issuer C) during its initial public offering, bought and sold significant volumes of the shares in close proximity to one another. Although the trading triggered the firm’s alerts, the firm did not review the trading for matched orders and closed the alerts with the observation that the client was “continuing buying.” The firm also failed to reasonably investigate that each of the customers subsequently transferred shares of the issuer to the same account at a Hong Kong broker-dealer and provided Redbridge with identical reasons for these transfers.

As a result, Redbridge violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

b. Redbridge failed to establish and implement an AML program reasonably designed to achieve compliance with customer identification and risk profile requirements.

FINRA Rule 3310(b) requires each member firm to “[e]stablish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the [BSA] and the implementing regulations thereunder.” One of the U.S. Treasury Department’s implementing regulations, 31 C.F.R. § 1023.220, requires every broker-dealer, as part of its AML program, to establish, document, and maintain a written CIP that is appropriate for the firm’s size and business.

A firm’s CIP must include risk-based procedures for verifying customers’ identities that are reasonably designed to enable the firm to form a reasonable belief that it knows the true identity of each customer. The procedures must be based on the firm’s assessment of

the relevant risks, including those presented by its size, location, customer base, account types, and account opening methods.³ The procedures must also describe when the firm will use documents, non-documentary methods, or a combination to verify customers' identities.⁴ The CIP also must include procedures for responding to circumstances in which the broker-dealer cannot form a reasonable belief that it knows the true identity of a customer, including when the firm should not open an account.⁵ The Customer Due Diligence (CDD) program must also contain procedures for understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile.

From September 2019 to October 2022, the firm's CIP procedures were not reasonably tailored to its customer base. The firm failed to reasonably assess the identity verification risks posed by opening accounts for customers domiciled in China, many of whom had known connections to the issuers. Prior to November 2021, Redbridge's CIP procedures did not describe how the firm should investigate red flags of identity theft during the account opening process. Furthermore, Redbridge's CDD procedures did not require the firm to create risk profiles for customers until October 2022.

Redbridge also failed to identify or follow up on instances in which a customer's account activity was inconsistent with their stated financial resources, including several instances where customers transferred money or acquired securities with a market value greater than their stated financial circumstances. Redbridge also failed to establish procedures to reasonably monitor for such inconsistencies in customer profile information. As a result, the firm failed to identify red flags concerning its customers, including:

- A customer investing in Issuer B, who opened his account in February 2021, stated at account opening that his annual income was \$300,000 or less and his liquid net worth was \$200,000 or less. However, approximately a year later, the customer deposited more than 1.6 million shares of Issuer B worth more than \$2.7 million into his Redbridge account, and in the month following the deposit, the customer sent five outgoing wires totaling \$2.5 million.
- Seemingly unrelated customers had the same address listed on their new account forms. For example, the three customers with the largest share deposit of Issuer B shared the same residential address. Similarly, multiple customers who opened their accounts on the same day and proceeded to transact in securities issued by Issuer C all shared the same business address.

By this conduct, the firm violated FINRA Rules 3310(b), 3310(f)(i), and 2010.

³ 31 C.F.R. § 1023.220(a)(2).

⁴ 31 C.F.R. § 1023.220(a)(2)(ii).

⁵ 31 C.F.R. § 1023.220(a)(2)(iii).

c. The Firm failed to conduct reasonable independent testing of its AML program in 2019 and 2020 and failed to conduct any independent testing in 2021.

FINRA Rule 3310(c) requires that a member firm that executes transactions for customers, holds customer accounts, or introduces customer accounts “provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by member personnel or by a qualified outside party.”

Redbridge conducted independent tests of its AML program during the calendar years 2019 and 2020 that failed to reasonably address the risks associated with the firm’s business, including the firm’s suspicious activity monitoring and investigations. Specifically, the testing did not address whether the firm’s transaction monitoring reasonably identified potentially suspicious activity or the firm’s process for investigating and addressing potentially suspicious activity. In addition, the firm failed to perform any independent testing during the calendar year 2021.

Therefore, the firm violated FINRA Rules 3310(c) and 2010.

B. Redbridge failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation.

FINRA Rule 3110(a) requires that a member firm “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.” FINRA Rule 3110(b) requires that each member firm “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.” 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. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From September 2019 to October 2023, Redbridge’s written supervisory procedures (WSPs) prohibited certain potentially manipulative transactions and practices such as prearranged trading and wash or cross transactions. But the WSPs did not directly address market manipulation and the firm’s supervisory system was not reasonably designed to detect and address red flags of potentially manipulative trading. For instance, until September 2022, the firm’s limited exception reports were not designed to identify cross trading, layering, spoofing or other types of coordinated trading that could suggest market manipulation. The firm also did not conduct order-level surveillance or otherwise supervise for cancelled trades until September 2022 and after that period, the firm did not reasonably review order-level surveillance. Moreover, even though the firm did use exception reports related to wash trading, the review and investigation of those alerts was insufficient to detect or reasonably address market manipulation.

Therefore, Redbridge violated FINRA Rules 3110(a), 3110(b), and 2010.

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

- a censure;
- a \$475,000 fine; and
- an undertaking to retain a third-party consultant as described below.

Redbridge agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Redbridge has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Redbridge 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.

1. Redbridge has undertaken to do the following:

- a. Continue to retain (or, as necessary, retain within 60 days of the date of the notice of acceptance of this AWC) at its own expense a third-party consultant not unacceptable to FINRA to conduct a comprehensive review of the adequacy of Redbridge's compliance with FINRA Rules 3310(a), 3310(b), 3310(c) and 3310(f), and to recommend procedural and systemic changes relating to the same;
- b. Cooperate with the third-party consultant in all respects, including providing the third-party consultant with access to Redbridge's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Redbridge shall require the third-party consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the third-party consultant's communications with FINRA. Further, upon request, Redbridge shall make available to FINRA any and all communications between the third-party consultant and the Redbridge and documents examined by the third-party consultant in connection with this review.
- c. Refrain from terminating the relationship with the third-party consultant without FINRA's written approval. Redbridge shall not be in and shall not have an attorney-client relationship with the third-party consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the third-party consultant from transmitting any information, reports, or documents to FINRA;
- d. Require the third-party consultant to submit an initial written report to Redbridge and FINRA at the conclusion of the third-party consultant's

review, which shall be no more than 160 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Redbridge's compliance with FINRA Rules 3310(a), 3310(b), 3310(c) and 3310(f); (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Redbridge should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to FINRA Rules 3310(a), 3310(b), 3310(c) and 3310(f); and

- (i) Within 60 days after delivery of the initial report, Redbridge shall adopt and implement the recommendations of the third-party consultant or, if Redbridge considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the third-party consultant designed to achieve the same objective. Redbridge shall submit such proposed alternative procedures in writing simultaneously to the third-party consultant and FINRA.
- (ii) Redbridge shall require the third-party consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the third-party consultant's original recommendation and (B) provide Redbridge and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Redbridge's proposed alternative procedures. In the event the third-party consultant and Redbridge are unable to agree, Redbridge must abide by the third-party consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the third-party consultant.
- (iii) Within 30 days after the issuance of the later of the third-party consultant's initial report or any written report regarding proposed alternative procedures, Redbridge shall provide the third-party consultant and FINRA with a written implementation report, certified by an officer of Redbridge, attesting to, containing documentation of, and setting forth the details of Redbridge's implementation of the third-party consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Redbridge agrees to provide such evidence.

2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.

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 it;
- 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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.


March 5, 2025
Date


Redbridge Securities LLC
Respondent

Print Name: Richard Barry Freeman Jr.

Title: Chief Executive Officer


Reviewed by:


Michael D. Birnbaum
Counsel for Respondent
Morrison & Foerster LLP
250 W 55th St,
New York, NY 10019

Accepted by FINRA:

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

March 6, 2025
Date


Myla G. Arumugam
Principal Counsel
FINRA
Department of Enforcement
581 Main Street
Woodbridge, NJ 07095