

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022076525101**

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

RE: Joseph Stone Capital L.L.C. (Respondent)  
Member Firm  
CRD No. 159744

Pursuant to FINRA Rule 9216, Respondent Joseph Stone Capital L.L.C. 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**

Joseph Stone has been a FINRA member since 2013. The firm, which is headquartered in Mineola, NY, has three active branches and approximately 30 registered representatives.<sup>1</sup>

**OVERVIEW**

Joseph Stone failed to comply with FINRA Rule 3170 (the Taping Rule), which requires certain firms to tape record all telephone conversations between their registered persons and existing and potential customers. Between September 2021 and July 2024, the firm's special written procedures were not reasonably designed to comply with the Taping Rule. In certain instances, between September 2021 and May 2022, the firm failed to record all conversations as required by the Taping Rule. As a result, the firm violated FINRA Rules 3170 and 2010.

For these violations, Joseph Stone is censured and fined \$35,000.

**FACTS AND VIOLATIVE CONDUCT**

This matter originated from a review of the firm's compliance with the Taping Rule.

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

FINRA Rule 3170(b)(1) requires that “[e]ach member that either is notified by FINRA or otherwise has actual knowledge that it is a taping firm shall establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all of its registered persons.” Under FINRA Rule 3170(b)(3), the procedures must “include procedures for tape recording all telephone conversations between the taping firm’s registered persons and both existing and potential customers and for reviewing the tape recordings to ensure compliance with applicable securities laws and regulations and applicable FINRA rules.” FINRA Rule 3170(b)(4) requires taping firms to retain recordings for a period of not less than three years.

A violation of FINRA Rule 3170 is also a violation of FINRA Rule 2010, which requires member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

On September 27, 2021, Joseph Stone became subject to the requirements of the Taping Rule for a period of three years. Joseph Stone’s special written procedures outlining its system for complying with the Taping Rule and its implementation and enforcement of those procedures were deficient in several respects. First, the special written procedures provided no time period by which the responsible principals must complete the supervisory reviews. Further, although the procedures directed that principals pay “attention” for potential sales practice concerns, they did not provide guidance about the steps principals should take upon identifying such concerns.

Second, Joseph Stone failed in certain instances to implement and enforce its special written procedures to ensure that it recorded all telephone conversations between its registered representatives and existing and potential customers. Despite the special written procedures “apply[ing] to all telephone conversations between registered representatives of the firm and both existing and potential customers,” at various points between September 2021 and May 2022, Joseph Stone failed to record certain customer calls for six of its registered representatives due to human error and technical difficulties.

Moreover, Joseph Stone’s special written procedures allowed registered representatives to use their cell phones to conduct business, but the special written procedures were not reasonably designed to ensure all phone calls between registered representatives and existing and potential customers were recorded. In particular, the firm’s special written procedures required representatives to download a cell phone application that allowed for the recording of conversations with customers. However, registered representatives were responsible for ensuring their own customer calls were conducted through the cell phone application and Joseph Stone’s special written procedures did not set forth a supervisory process reasonably designed to determine whether registered representatives were recording all required cell phone calls.

Finally, between September 2021 and April 2022, Joseph Stone did not retain call recordings for 18 days during the required three-year period. The firm’s telephone carrier only retained calls for one year and the special written procedures did not provide reasonable guidance on downloading calls prior to their being deleted, including the

frequency at which such downloads should occur. As a result, the firm failed to retain all call recordings for the required three years.

In late 2024, the firm began implementing enhanced reviews of recorded calls. As of the end of September 2024, the firm was no longer subject to the Taping Rule. However, it has continued to comply with the requirements of the Taping Rule on a voluntary basis for a period of six months ending March 28, 2025.

By failing to establish and maintain reasonable supervisory procedures for taping, Joseph Stone violated FINRA Rules 3170 and 2010.

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

- a censure; and
- a \$35,000 fine.

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

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 MATTER**

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.

4.3.2025

Date

  
Joseph Stone Capital L.L.C.  
Respondent

Print Name: Damian Maggio

Title: Ceo

Reviewed by:

  
4/14/2025


Michael P. Gilmore, Esq.  
Counsel for Respondent  
Moss & Gilmore LLP  
129 Third St.  
Mineola, NY 11501

Accepted by FINRA:

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

4/11/2025

Date

  
Myla G. Arumugam  
Senior Counsel  
FINRA  
Department of Enforcement  
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Woodbridge, NJ 07095