

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077077001**

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

RE: Regulus Financial Group, LLC (Respondent)
Member Firm
CRD No. 150631

Pursuant to FINRA Rule 9216, Respondent Regulus Financial Group, 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

Regulus has been a FINRA member since July 2010. The firm, which is headquartered in Kentwood, Michigan, has 65 active branches and 114 registered representatives. The firm acts as a broker-dealer for general securities products and primarily services retail investors.¹

OVERVIEW

From May 22, 2021, to February 6, 2024, Regulus did not disclose its own and its control affiliate's disciplinary history in the firm's customer relationship summary (Form CRS). By filing and delivering to customers a Form CRS that omitted required information, Regulus willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14, and violated FINRA Rule 2010 and is fined \$20,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the 2023 firm examination of Regulus.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, and

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

deliver the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required “conversation starters” to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Exchange Act requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems “necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of” the Exchange Act. Exchange Act Rule 17a-14—titled “Form CRS, for preparation, filing and delivery of Form CRS”—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm’s public website.

A violation of Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14 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.

Form CRS contains the heading, “Do you or your financial professionals have legal or disciplinary history?” Item 4 of the instructions to Form CRS state that a firm must respond “Yes” if it or any of its financial professionals disclose, or is required to disclose, legal or disciplinary history on specified regulatory disclosure forms, such as Form BD.²

Because a firm must disclose on Form BD its own legal or disciplinary history as well as that of its “control affiliates,”³ a firm must respond “Yes” to the Form CRS question concerning legal or disciplinary history if any of its control affiliates has legal or disciplinary history. Item 4 also requires a firm to direct retail investors to Investor.gov/CRS for a free and simple search tool to research the firm and its financial professionals.

² These forms are submitted to the Central Registration Depository by member firms or regulators. Broker-dealers file Form BD (Uniform Application for Broker-Dealer Regulation) to become registered with the U.S. Securities and Exchange Commission, FINRA, other self-regulatory organizations, and jurisdictions (*e.g.*, U.S. states and territories).

³ According to Form BD, a “control affiliate” includes any individual or organization that directly or indirectly controls, is under common control with, or is controlled by, a firm.

Regulus filed its initial Form CRS on June 29, 2020, and an amended Form CRS on November 12, 2020. On May 21, 2021, FINRA cautioned Regulus that its responses regarding legal or disciplinary history on these Forms CRS were incomplete or misleading.

Regulus filed amended Forms CRS on February 22, 2021, and April 9, 2021. Although Regulus had prior reportable legal or disciplinary history, Regulus did not respond “Yes” or direct retail investors to Investor.gov/CRS in response to the question concerning legal or disciplinary history. Instead, the firm erroneously stated on both Forms CRS: “Yes, although Regulus does not, some of our financial professionals do have a legal or disciplinary history.”

Subsequently, in September 2021, a Regulus control affiliate agreed to the imposition of legal or disciplinary history that was required to be disclosed on Regulus’ Form BD. In January and May 2022, Regulus also had additional legal or disciplinary history that was required to be disclosed on its Form BD. However, the firm did not file an amended Form CRS to disclose its and its control affiliate’s legal and disciplinary history.

On February 6, 2024, Regulus filed an amended Form CRS that responded “Yes” to the question concerning legal or disciplinary history and directed retail investors to Investor.gov/CRS.

Therefore, Regulus willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.⁴

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

- a censure and
- a \$20,000 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.

Respondent understands that this settlement includes a finding that it willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14

⁴ “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

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.

April 4, 2025

Date

DONALD CARLSON

Regulus Financial Group, LLC
Respondent

Print Name: DONALD CARLSON

Title: President

Reviewed by:

Susan Light

Susan Light, Esq.
Counsel for Respondent
Katten Muchin Rosenman LLP
50 Rockefeller Plaza
New York, NY 10020-1605

Accepted by FINRA:

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

April 24, 2025

Date

Jennifer Cullinane

Jennifer Cullinane
Counsel
FINRA
Department of Enforcement