

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022075714101**

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

RE: Rialto Markets LLC (Respondent)  
Member Firm  
CRD No. 283477

Pursuant to FINRA Rule 9216, Respondent Rialto Markets 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**

Rialto Markets has been a FINRA member since May 2017. The firm employs seven registered representatives in one branch office headquartered in New York, New York. The firm's business focuses primarily on the sale of private placements.<sup>1</sup>

**OVERVIEW**

From at least November 2021 to June 2022, Rialto Markets failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to safeguard customer records and information in violation of Rule 30(a) of Regulation S-P of the Securities Exchange Act of 1934 (the Safeguards Rule) and FINRA Rules 3110 and 2010.

For these violations, Rialto Markets is censured and fined \$50,000.

**FACTS AND VIOLATIVE CONDUCT**

This matter originated from FINRA's cycle examination of the firm.

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

The Safeguards Rule requires that broker-dealers “adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information.” Such written policies and procedures must be reasonably designed to (a) ensure the security and confidentiality of customer records and information; (b) protect against any anticipated threats or hazards to security or integrity of customer records and information; and (c) protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer.<sup>2</sup>

FINRA Rule 3110(a) requires each member firm to 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 each member firm to 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.

A violation of the Safeguards Rule or FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires FINRA members, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

From at least November 2021 to June 2022, the firm failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to safeguard customer records and information. Although FINRA had previously advised the firm to establish WSPs and systems to address and mitigate cybersecurity risks, the firm’s WSPs failed to address, and the firm failed to implement, data loss prevention controls such as multi-factor authentication for all email accounts, email access and other audit logs,<sup>3</sup> alerts for suspicious activities such as anonymous IP address use, or email forwarding rules. In November 2021, an unauthorized user gained access to a firm employee’s business email account and had unrestricted access to the nonpublic personal information of over 4,400 firm customers (including Social Security numbers, driver license numbers, and home addresses) for over three months. In addition, while the firm was engaged in a private offering, the unauthorized user used their access to the employee’s email account to facilitate the fraudulent transfer of over \$1 million from the firm’s escrow agent to a bank account controlled by the unauthorized user in February 2022. The firm did not detect or prevent the unauthorized user’s access to the email account until after the fraudulent transfer was discovered. Government authorities recovered some of the transferred funds and the firm’s escrow agent made the offeror whole by providing the remaining funds.

Upon discovering the cybersecurity breach, the firm enhanced its cybersecurity controls and procedures, including enabling multi-factor authentication, email access and other audit logs, alerts for suspicious activity, and email forwarding rules for all email

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<sup>2</sup> Rialto Markets violated the version of the Safeguards Rule in effect during the relevant period.

<sup>3</sup> Email access logs are records of events that provide an audit trail that can be used to monitor activity within the email account, identify policy violations, pinpoint fraudulent or unusual activity, and highlight security incidents.

accounts. In addition, the firm quickly identified that the nonpublic personal information of its customers was exposed, notified the affected customers, notified the proper regulatory authorities, and offered the affected customers free credit monitoring.

By failing to establish and maintain a supervisory system, including WSPs, reasonably designed to safeguard customer records and information, Respondent violated the Safeguards Rule and FINRA Rules 3110 and 2010.

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

- a censure and
- a \$50,000 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 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.

June 3, 2025

Date

Susan Xouris

Rialto Markets LLC

Respondent

Print Name: Susan Xouris

Title: Chief Compliance Officer

Reviewed by:

Richard M. Nummi

Richard M. Nummi

Counsel for Respondent

Nummi & Associates, PA

210 22<sup>nd</sup> Ave NE, Unit 13

St. Petersburg, FL 33704

Accepted by FINRA:

June 11, 2025

Date

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

*Alex Marinella*

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Alex Marinello  
Principal Counsel  
FINRA  
Department of Enforcement  
Two Jericho Plaza  
Jericho, NY 11753