

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022074391001**

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

RE: NexPoint Securities, Inc.
Member Firm
CRD No. 165013

Pursuant to FINRA Rule 9216, Respondent NexPoint Securities, Inc. 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

NexPoint has been a FINRA member since November 2013 and is headquartered in Dallas, Texas. The firm has 48 registered representatives in one branch office. The firm's business primarily involves the distribution of the firm's affiliates' mutual funds, investment company shares, and the sale of unregistered self-offerings.¹

OVERVIEW

Between November 2021 and February 2022, NexPoint conducted a securities business while failing to maintain its required net capital, in violation of Section 15(c)(3) of the Securities Exchange Act of 1934, Exchange Act Rule 15c3-1, and FINRA Rules 4110(b)(1) and 2010.

Between February 2021 and March 2022, NexPoint failed to maintain accurate books and records and filed with FINRA inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports. The firm also failed to file required notifications regarding its net capital. Accordingly, the firm violated Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11, and FINRA Rules 4511 and 2010.

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

Since at least February 2021, NexPoint has violated FINRA Rules 3110 and 2010 by failing to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with net capital requirements.

For these violations, the firm is censured, fined \$50,000, and agreed to an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a financial notification to FINRA filed by the firm.

NexPoint conducted a securities business while failing to maintain its minimum required net capital.

Exchange Act § 15(c)(3) and Exchange Act Rule 15c3-1 require broker-dealers to maintain, at all times, certain minimum levels of net capital. FINRA Rule 4110(b)(1) requires member firms to suspend all business operations during any period in which they are not in compliance with applicable net capital requirements as set forth in Exchange Act Rule 15c3-1. A violation of Exchange Act § 15(c)(3), Exchange Act Rule 15c3-1, or FINRA Rule 4110(b)(1) is a violation of FINRA Rule 2010, which requires members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

NexPoint conducted a securities business while under its minimum net capital requirement on 44 days between November 2021 and February 2022. The firm's net capital deficiencies ranged between \$8,511 and \$1,486,435. The deficiencies occurred because the firm misclassified certain non-allowable assets. First, the firm misclassified deferred tax assets and federal tax prepayments as liabilities rather than as non-allowable assets. Second, the firm misclassified commissions that it was to receive for its registered representatives' sales of the firm's affiliates' mutual fund products as allowable assets rather than as non-allowable assets. These misclassifications caused the firm to incorrectly calculate and overstate its net capital.

Therefore, NexPoint violated Exchange Act § 15(c)(3), Exchange Act Rule 15c3-1, and FINRA Rules 4110(b)(1) and 2010.

NexPoint maintained inaccurate books and records, filed inaccurate FOCUS reports, and failed to file required notices of its net capital declines with FINRA and the SEC.

FINRA Rule 4511 requires each FINRA member to make and preserve books and records in conformity with the Exchange Act and applicable Exchange Act rules. Inherent in the obligation to make and preserve books and records is the requirement that they be accurate.

Exchange Act § 17(a) and Exchange Act Rule 17a-3 require broker-dealers to make and maintain ledgers accurately reflecting all assets and liabilities, as well as income and expenses. Exchange Act Rule 17a-3(a)(11) requires broker-dealers to prepare net capital

computations “at least once a month.” Exchange Act Rule 17a-5 requires every broker-dealer to prepare and file monthly or quarterly FOCUS reports containing accounting and financial information, including the firm’s minimum required net capital, net capital, and excess net capital.

Exchange Act § 17(a) and Exchange Act Rule 17a-11(a)(1) require broker-dealers whose net capital declines below the minimum amount to give “notice of such deficiency that same day” to FINRA and the SEC. Exchange Act Rule 17a-11(b)(3) requires broker-dealers whose net capital declines below 120 percent of their required minimum net capital to give prompt notice to FINRA and the SEC.

A violation of Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, or 17a-11, or FINRA Rule 4511 is also a violation of FINRA Rule 2010.

From February 2021 through March 2022, NexPoint prepared and maintained inaccurate general ledgers, net capital computations, and other financial books and records. NexPoint’s inaccurate books and records were caused by the firm’s misclassification of certain non-allowable assets, as described above.

As a result, the firm also inaccurately recorded certain financial information, including its assets, liabilities, expenses, and net capital, on 14 monthly FOCUS reports for the period February 2021 through March 2022. During this period, the FOCUS reports overstated the firm’s net capital in amounts that ranged from \$74,000 to \$814,337.

Between November and December 2021, NexPoint failed to file with FINRA and the SEC the required notices for 18 days on which the firm’s net capital declined below the firm’s required minimum amount. Between October and December 2021, NexPoint failed to file with FINRA and the SEC the required notices for 12 additional days on which the firm’s net capital declined below 120 percent of the firm’s required minimum amount.

Therefore, NexPoint violated Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11, and FINRA Rules 4511 and 2010.

NexPoint failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with net capital and financial reporting requirements.

FINRA Rule 3110(a) requires each FINRA member 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 FINRA member 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 FINRA Rule 3110 is also a violation of FINRA Rule 2010.

Since at least February 2021, NexPoint has failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with net capital and financial reporting rules. The firm's supervisory system and WSPs do not include written guidance, in the WSPs or elsewhere, addressing how net capital computations should be performed. Further, the firm has unreasonable supervisory processes and WSPs designed to achieve compliance with FINRA Rule 4110(b)(1), despite the firm's historical net capital deficiencies. Finally, the firm has unreasonable processes and procedures to confirm the accuracy of the firm's financial notifications, including for verifying whether the firm has included all dates on which the firm was net capital deficient.

Therefore, NexPoint violated Rules 3110 and 2010.

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

- a censure;
- a \$50,000 fine; and
- an undertaking that, within 60 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Exchange Act §§ 15(c)(3) and 17(a), Exchange Act Rules 15c3-1, 17a-3, 17a-5, and 17a-11, and FINRA Rules 4110(b)(1) and 4511, regarding the issues identified in this AWC. Respondent shall submit the certification to Christopher Miles, Principal Counsel, 200 Liberty Street, Fl. 11, New York, NY 10281-1103, Christopher.Miles@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

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 prejudice 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.

October 2, 2025
Date




NexPoint Securities, Inc.
Respondent

Print Name: David E. Holt

Title: Secretary and CCO

Reviewed by:



Robert Long, Esq.
Counsel for Respondent
Greenberg Traurig, LLP
2200 Ross Avenue, Suite 5200
Dallas, TX 75201

Accepted by FINRA:

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

October 14, 2025
Date



Christopher Miles
Principal Counsel
FINRA
Department of Enforcement
200 Liberty St., Fl. 11
New York, NY 10281-1103