

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069372901**

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

RE: J.K. Financial Services, Inc. (Respondent)
Member Firm
CRD No. 103728

Pursuant to FINRA Rule 9216, Respondent J.K. Financial 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

J.K. Financial has been a FINRA member since May 2000. The firm is headquartered in Norco, California, operates four branch offices, and has 26 registered representatives. J.K. Financial's broker-dealer business includes sales of equities, mutual funds, and variable annuities to retail customers. In February 2022, the Securities and Exchange Commission (SEC) fined the firm \$10,000 and found that it had willfully violated § 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14 in connection with the firm's customer relationship summary (Form CRS).¹

OVERVIEW

From June 2024 to April 2025, J. K. Financial willfully violated § 17(a)(1) of the Exchange Act and Exchange Act Rule 17a-14 and violated FINRA Rule 2010 by omitting required information on its Form CRS.

From August 2020 to at least May 2024, J.K. Financial (i) violated § 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 3110, 4511, and 2010 by failing to preserve and reasonably supervise business-related emails; (ii) violated FINRA Rules 3110, 3270.01, and 2010 by failing to reasonably supervise the outside business

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

activities of its registered persons; and (iii) violated § 17(a) of the Exchange Act, Exchange Act Rules 15c-1(a)(1) and 17a-3, and FINRA Rules 3110, 4511, and 2010 by failing to establish policies and procedures, and a supervisory system, reasonably designed to achieve compliance with Regulation Best Interest (Reg BI) and related recordkeeping requirements.

For these violations, the firm is censured, fined \$65,000, and required to certify that it has remediated the issues identified in this AWC.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle exam of J.K. Financial.

1. J.K. Financial filed a Form CRS that omitted required information.

On June 5, 2019, the SEC adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, deliver, and update 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 SEC 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.

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 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.

From June 2024 to April 2025, J.K. Financial omitted required information from the firm’s Form CRS. In June 2024, J.K. Financial filed a Form CRS that failed to disclose that the firm had disciplinary history. The document had other errors, including omission of required conversation starters regarding fees and costs and conflicts of interest. The firm did not file a corrected Form CRS until April 2025.

By omitting required information from its Form CRS, J.K. Financial willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14 and violated FINRA Rule 2010.³

2. J.K. Financial failed to preserve and reasonably supervise email communications.

FINRA Rule 3110(a) requires a 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 a 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.

FINRA Rule 3110(b)(4) specifies that the firm’s supervisory procedures “shall include procedures for the review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member’s ... securities business.”

Under § 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4), member firms are required to preserve for a period of at least three years the originals of all communications received, and copies of all communications sent, relating to the member firm’s business. FINRA Rule 4511(a) requires members to make and preserve books and records as required under FINRA rules, the Exchange Act, and the applicable Exchange Act rules.

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 Registration) to become registered with the SEC, FINRA, other self-regulatory organizations, and jurisdictions (*e.g.*, U.S. states and territories).

³ “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).

A violation of Exchange Act § 17(a), Exchange Act Rule 17a-4, and FINRA Rules 3110 and 4511 is also a violation of FINRA Rule 2010, which requires a member firm, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

As set forth below, from August 2020 to at least May 2024, J.K. Financial had deficiencies in the firm's supervision, preservation, or review of email communications.

From August 2020 to at least May 2024, the firm's WSPs did not identify who specifically was responsible for email archiving and review and failed to provide any guidance as to how that review should be conducted. The WSPs lacked details such as the method of review, how the review should be documented and evidenced, the frequency of how often the review should be conducted, how any sample was to be determined, and the issues or content that should be flagged during email review.

From December 2021 to July 2022, J.K. Financial was not preserving or reviewing any emails related to the firm's business. In December 2021, due to technical problems, the firm's third-party service provider stopped archiving J.K. Financial's emails. The firm did not start archiving its emails again until July 2022. During this period, J.K. Financial was not capturing, archiving, and reviewing any email correspondence for 38 email addresses used for firm business. This resulted in the firm failing to preserve or review an estimated 1,100 emails, some of which related to firm business.

Between August 2020 and February 2024, the firm's WSPs required representatives to use the firm's email system for firm business. However, during this period, J.K. Financial allowed some of its representatives to use outside email addresses for their securities business. The firm did not take any steps to review, retain, and preserve securities business emails sent or received by representatives using their outside email accounts.

Therefore, J.K. Financial violated § 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 3110, 4511, and 2010.

3. J.K. Financial failed to reasonably supervise outside business activities.

FINRA Rule 3270 prohibits registered persons from engaging in outside business activities (OBAs) unless they provide prior written notice to the member firm, in such form as specified by the member. FINRA Rule Supplementary Material .01 (Rule 3270.01) defines the obligations of a member upon receiving such notice and establishes express requirements for firms to analyze the proposed outside business activity and document the analysis:

Upon receipt of a written notice under Rule 3270, a member shall consider whether the proposed activity will: (1) interfere with or otherwise compromise the registered person's responsibilities to the member and/or the member's customers or (2) be viewed by customers or the public as part of the member's business based upon, among other factors, the nature of the

proposed activity and the manner in which it will be offered. Based on the member's review of such factors, the member must evaluate the advisability of imposing specific conditions or limitations on a registered person's outside business activity, including where circumstances warrant, prohibiting the activity. A member also must evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of Rule 3280. A member must keep a record of its compliance with these obligations with respect to each written notice received and must preserve this record for the period of time and accessibility specified in SEA Rule 17a-4(e)(1).

A violation of FINRA Rules 3110 and 3270.01 constitutes a violation of FINRA Rule 2010.

From August 2020 to at least May 2024, J.K. Financial failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 3270.01. The firm's WSPs in effect on August 2020 failed to require documentation of the consideration of the factors set forth in FINRA Rule 3270.01. The firm revised its WSPs in October 2022, but until at least May 2024, the firm's WSPs still failed to require documentation of the consideration of the factors in Rule 3270.01.

Additionally, from August 2020 to May 2024, for a few representatives, the firm failed to document its evaluation of the factors in FINRA Rule 3270.01 after receiving written notice of OBAs from its representatives.

Therefore, J.K. Financial violated FINRA Rules 3110, 3270.01, and 2010.

4. J.K. Financial failed to establish and maintain written policies and procedures, and a supervisory system, reasonably designed to achieve compliance with the firm's obligations regarding customer investment profiles. In addition, J.K. Financial failed to create and keep certain records regarding customer investment profiles.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Exchange Act. Rule 15c-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with

the recommendation. Regulation BI defines a “retail customer investment profile” to include, but not be limited to, the customer’s age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Additionally, Reg BI’s Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), requires broker-dealers to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI, including the Care Obligation. The Adopting Release provides that broker-dealers should consider the nature of that firm’s operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.⁴

Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3 require a broker-dealer to create and keep current certain records relating to its business. Exchange Act Rule 17a-4 specifies the manner and length of time that those records must be maintained. FINRA Rule 4511 provides, in part, that each member “shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” As of June 30, 2020, Exchange Act Rule 17a-3(a)(35) requires broker-dealers to make and keep current a record of all information collected from and provided to retail customers pursuant to Reg BI, as well as the identity of each natural person who is an associated person, if any, responsible for the account. In addition, Exchange Rule 17a-4(e)(5) requires that such records be preserved for at least six years.

A violation of § 17(a)(1) of the Exchange Act, Exchange Act Rules 15l-1(a)(1) and 17a-3, and FINRA Rules 4511(a) and 3110 is also a violation of FINRA Rule 2010.

From August 2020 to at least May 2024, J.K. Financial failed to establish and maintain written policies and procedures, and a supervisory system, reasonably designed to achieve compliance with the Care Obligation regarding the collection of retail customer investment profile information from customers who received recommendations from the firm’s representatives. As a result, the firm’s new account forms did not sufficiently collect information on customer investment profiles, as they did not include questions concerning customers’ risk tolerance and, beginning in March 2022, also did not include questions about their liquidity needs or time horizons. For certain retail customers who only purchased direct business mutual funds, the firm did not use its new account form, relying solely on the forms required by the investment company. Such forms asked for basic customer contact information but did not request information about investment objectives, time horizons, liquidity needs, risk tolerance, or financial situations. Beyond these practices, the firm did not implement alternative systems or supplementary tools to collect customer investment profile information.

⁴ *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

During this period, J.K. Financial also failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to comply with the firm's obligations to document retail customer investment profiles. Other than using the new account forms or direct mutual fund forms, the firm did not implement a process or requirement for representatives to document investment profile information obtained through oral communications with customers. This supervisory deficiency persisted until at least May 2024.

As a result, the firm failed to document certain customer profile information collected from some of its retail customers until at least May 2024.

Therefore, J.K. Financial violated § 17(a)(1) of the Exchange Act, Exchange Act Rules 15l-1(a)(1) and 17a-3, and FINRA Rules 3110, 4511, and 2010.

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

- a censure;
- a \$65,000 fine; and
- an undertaking that, within 90 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 § 17(a), Exchange Act Rules 15l-1(a)(1), 17a-3, 17a-4, and 17a-14, and FINRA Rules 3270.01 and 4511 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Shane B. Kelly, Principal Counsel, 4600 S. Syracuse Street, Suite 1400, Denver, Colorado, 80237, or electronically to shane.kelly@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.

Respondent understands that this settlement includes a finding that it willfully violated § 17(a) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14 and that under Article III, Section 4 of FINRA's By-Laws, this makes it 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.

