

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065143601**

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

RE: The GMS Group, LLC (Respondent)
Member Firm
CRD No. 8000

Pursuant to FINRA Rule 9216, Respondent The GMS Group, LLC (GMS Group) 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

GMS Group has been a FINRA member and a Municipal Securities Rulemaking Board (MSRB) registrant since 1979. GMS Group is headquartered in East Hanover, New Jersey. It has 65 registered representatives and eight branch offices. It is a full-service broker-dealer and primarily conducts a municipal securities business.¹

OVERVIEW

From June 30, 2020, until October 2023, GMS Group failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 (Reg BI), in violation of Reg BI, MSRB Rule G-27, and FINRA Rules 3110 and 2010. During the same period, GMS Group also failed to establish and maintain written supervisory procedures (WSPs) reasonably designed to achieve compliance with Exchange Act Rule 17a-14 obligations regarding Form CRS, in violation of MSRB Rule G-27 and FINRA Rules 3110 and 2010.

For these violations, GMS Group is censured and fined \$35,000.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle exam of GMS Group.

A. GMS Group failed to establish written policies and procedures reasonably designed to achieve compliance with Reg BI.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI. Rule 15l-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 Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's 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.²

Reg BI's Care Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation.

Additionally, Reg BI's Conflict of Interest Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iii), requires broker-dealers to establish, maintain, and enforce written policies and procedures addressing conflicts of interest, defined as interests that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Such procedures must be, among other things, reasonably designed to identify and mitigate any conflicts of interest associated with recommendations to retail customers that create an incentive for an associated person to place the firm's interest, or the associated person's interest, ahead of the customer's interest. This obligation applies to incentives that are provided to the associated person, whether by the firm or third parties, that are within the control of or associated with the broker-dealer's business.

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system, including written procedures, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

² *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

A violation of Reg BI or FINRA Rule 3110 is also 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.

MSRB Rule G-27 requires brokers, dealers and municipal securities dealers to establish and maintain a supervisory system, including written procedures, to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Securities Exchange Act of 1934 and Exchange Act rules.

From June 30, 2020, until October 2023, GMS Group failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. GMS Group’s initial approach to Reg BI implementation consisted solely of a June 29, 2020 memorandum that described the regulation in general terms without providing implementation measures. The firm’s WSPs contained no reference to Reg BI until it revised them in September 2020. Even then, the WSP’s treatment of Reg BI was limited to a single provision that incorrectly suggested the regulation applied only to new accounts.

Until October 2023, the firm failed to establish policies or procedures addressing essential components of Reg BI. Most notably, the firm’s policies and procedures failed to describe procedures for achieving compliance with the Care Obligation. The procedures did not describe the steps representatives should take to make recommendations in customers’ best interests, nor did they describe any methods for supervisors to review recommendations for Care Obligation compliance, such as procedures for evaluating whether representatives had considered costs and reasonably available alternatives. Similarly, the firm’s policies and procedures did not address the Conflict of Interest Obligation, providing no framework for identifying, disclosing, or mitigating, where appropriate, conflicts of interest associated with recommendations to retail customers. Additionally, the firm failed to provide a framework for preventing, detecting, and promptly correcting Reg BI violations or for otherwise achieving compliance with Reg BI.³

Therefore, GMS Group violated Exchange Act Rule 15l-1(a)(1), MSRB Rule G-27, and FINRA Rules 3110 and 2010.

B. GMS Group failed to establish WSPs reasonably designed to achieve compliance with its Form CRS obligations.

On June 5, 2019, the Securities and Exchange Commission (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.

³ In October 2023, GMS Group revised its WSPs to include procedures for complying with Reg BI.

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 Securities Exchange Act of 1934 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.

From June 30, 2020, until October 2023, GMS Group failed to establish, maintain, and enforce WSPs reasonably designed to achieve compliance with Form CRS requirements. Specifically, GMS Group’s WSPs did not include any procedures for preparing, filing, or updating the Form CRS; delivering the Form CRS to prospective and new retail customers; creating and maintaining records related to the Form CRS; or designating a supervisor with responsibility to achieve compliance with the firm’s Form CRS obligations.⁴

Therefore, GMS Group violated MSRB Rule G-27 and FINRA Rules 3110 and 2010.

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

- a censure; and
- a \$35,000 fine (\$17,500 of which pertains to the violation of MSRB Rule G-27).

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.

⁴ GMS Group addressed these deficiencies in October 2023, when it revised its WSPs to include procedures for Form CRS compliance.

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.

JANUARY 15, 2026
Date

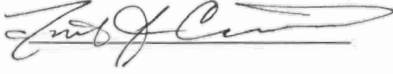


GMS Group
Respondent

Print Name: TIMOTHY J. DONOHUE

Title: PRESIDENT

Reviewed by:



Frank J. Cuccio, Esq.
Counsel for Respondent
Bressler Amery & Ross
325 Columbia Turnpike Suite 301
Florham Park, NJ 07932

Accepted by FINRA:

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

January 27, 2026

Date



Fiona Poon
Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street
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