

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022076848801**

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

RE: Herold & Lantern Investments, Inc. (Respondent)
Member Firm
CRD No. 30996

Pursuant to FINRA Rule 9216, Respondent Herold & Lantern Investments, 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

Herold & Lantern Investments, Inc. became a FINRA member in June 1993. The firm is headquartered in Melville, New York and has 67 registered representatives in ten branch offices. Herold & Lantern conducts a general securities business.¹

OVERVIEW

From November 2020 through May 2024, Herold & Lantern failed to establish and implement an anti-money laundering (AML) compliance program reasonably designed to detect and cause the reporting of suspicious transactions in low-priced securities, in violation of FINRA Rules 3310(a), 3310(f)(ii) and 2010.

For these violations Herold & Lantern is censured and fined \$125,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle examination of Herold & Lantern Investments.

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

FINRA Rule 3310 requires that each member firm develop and implement a written AML program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act and its implementing regulations promulgated by the U.S. Department of the Treasury. FINRA Rule 3310(a) requires that each firm establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. §5318(g) and its implementing regulations. Under 31 C.F.R. § 1023.320, broker-dealers are required, in specified circumstances, to file with the Financial Crimes Enforcement Network (FinCEN) a report of any suspicious transaction relevant to a possible violation of law or regulation. In addition, FINRA Rule 3310(f)(ii) requires, in relevant part, that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including conducting ongoing monitoring to identify and report suspicious transactions.

A violation of FINRA Rule 3310 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.

In May 2019, FINRA issued Regulatory Notice 19-18, which provided guidance to member firms about their obligation to monitor for and report suspicious transactions. The Notice also provided a non-exhaustive list of red flags suggestive of suspicious activity, including when:

- A "customer opens a new account and deposits physical certificates, or delivers in shares electronically, representing a large block of thinly traded or low-priced securities";
- A "customer with limited or no other assets at the firm receives an electronic transfer or journal transfer of large amounts of low-priced, non-exchange-listed securities"; and
- A "customer's activity represents a significant proportion of the daily trading volume in a thinly traded or low-priced security."

Regulatory Notice 19-18 further explained that "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a SAR [suspicious activity report] filing may be warranted."

During the relevant period, and following its merger with another FINRA member in 2020, Herold & Lantern acquired certain customer accounts that regularly deposited or sold shares of low-priced securities. In addition, during the relevant period, the firm effected securities transactions, including transactions in low-priced securities, for customers that were subject to a tri-party agreement between Herold & Lantern, Herold & Lantern's clearing firm, and another FINRA member.² Revenue generated from low-

² Through this tri-party arrangement, Herold & Lantern maintained brokerage accounts for customers introduced to the firm by the other FINRA member on its own books and records and introduced those customers to Herold & Lantern's clearing firm.

priced securities transactions represented approximately 4% of Herold & Lantern's total revenue during the relevant period.

The firm's AML policies and procedures were not reasonably designed to detect and cause the reporting of suspicious transactions in low-priced securities. While the firm's AML procedures identified red flags involving low-priced securities, the procedures did not provide reasonable guidance regarding how to investigate red flags involving low-priced securities.

Herold & Lantern also did not reasonably tailor its AML compliance program to address the risks posed by low-priced securities. Specifically, prior to August 2022, the firm's exception reports concerning low-priced trading activity did not include transactions in customer accounts subject to the firm's tri-party clearing agreements. And, the firm's AML compliance program with respect to low-priced securities did not include appropriate risk-based procedures for conducting ongoing customer due diligence. In practice, the firm did not conduct ongoing or additional due diligence of the accounts that regularly transacted in low-priced securities during the relevant period. The firm's exception reports also failed to include sufficient information to identify potential red flags of suspicious activity, such as patterns of account activity over time by the same customer. As a result, the firm failed to detect and reasonably investigate certain red flags of suspicious transactions, including:

- In 2021, a foreign customer opened an account at the firm and deposited 63,187 shares of a low-priced security into his account. The following year, the customer liquidated all 63,187 shares of the security and subsequently wired the entire cash balance to his bank account, which was the only activity that occurred in the account. Although the liquidation, which represented 66.80% of the daily volume for the security, appeared on the firm's low-priced security trade report, the firm did not conduct a reasonable investigation into the activity.
- Beginning in at least November 2020 through November 2023, a customer deposited and liquidated over 65 million shares of a low-priced security and wired out over \$1.6 million in proceeds. Although the customer's liquidation of the security appeared on the firm's low-priced security trade report and represented over 20% of the daily volume for the security on multiple trading days, Herold & Lantern did not reasonably investigate or address the activity.

Therefore, Herold & Lantern violated FINRA Rules 3310(a), 3310(f)(ii) and 2010. In approximately August 2022, the firm began to include customer accounts subject to its tri-party agreements in its surveillance for suspicious activity in low-priced securities. Moreover, in or around May 2024, the firm stopped accepting deposits of physical certificates of low-priced securities.

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

- a censure and
- a \$125,000 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.

February 23, 2026

Date

Keith Lanton

Herold & Lantern Investments, Inc.
Respondent
Keith Lanton
Print Name: _____
President
Title: _____

Reviewed by:

Lisa M. Colone

Lisa M. Colone
Counsel for Respondent
Chiesa Shahinian & Giantomasi PC
105 Eisenhower Parkway
Roseland, NJ 07068

Accepted by FINRA:

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

March 3, 2026

Date

Leah Milbauer

Leah Milbauer
Principal Counsel
FINRA
Department of Enforcement
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Boston, MA 02110