FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023076995501

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

RE: Prime Number Capital, LLC (Respondent)
Member Firm
CRD No. 297029

Pursuant to FINRA Rule 9216, Respondent Prime Number Capital, 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

Prime Number Capital became a FINRA member in December 2018. The firm, headquartered in New York, NY, has eight registered representatives and two branch offices. Prime Number offers investment banking services, including serving as underwriter for initial public offerings (IPOs), often involving foreign issuers with small market capitalizations.[1]

OVERVIEW

From January 2021 to the present, Prime Number failed to establish and implement an anti-money laundering (AML) program reasonably designed to detect and cause the reporting of suspicious transactions and failed to conduct reasonable testing of its AML program, in violation of FINRA Rules 3310(a), 3310(f)(ii), 3310(c), and 2010.

From July 2020 to December 2024, Prime Number failed to supervise or preserve its registered representatives' business-related communications sent or received using unapproved communications platforms, in violation of Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4, and FINRA Rules 3110, 4511, and 2010.

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

From September 2020 to October 2025, in connection with its underwriting of IPOs, the firm failed to timely file required documentation with FINRA, in violation of FINRA Rules 5110 and 2010.

For these violations, Prime Number is censured, fined $335,000, and has agreed to retain an independent consultant.

FACTS AND VIOLATIVE CONDUCT

This matter originated from multiple FINRA examinations.

A. Prime Number failed to develop and implement a reasonable AML program.

FINRA Rule 3310 requires each member firm to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the [firm's] compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury." A violation of FINRA Rule 3310 also constitutes 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 April 2002, FINRA issued Notice to Members 02-21, which stated that "the obligation to develop and implement an AML compliance program is not a 'one size-fits-all' requirement . . . [and] each financial institution should . . . tailor its AML program to fit its business." Notice to Members 02-21 also stated that "[t]o be effective, [a firm's AML program] must reflect the firm's business model and customer base." From January 2021 to the present, Prime Number failed to tailor its AML compliance program to address the risks posed by the firm's investment banking business, which was its primary source of revenue. During this period, the firm acted as lead underwriter or co-manager on IPOs for more than 20 issuers with small market capitalizations, many of them based in China. Prime Number's customers opened accounts at the firm to invest in firm-sponsored IPOs and subsequently engage in post-IPO trading in those securities, and many customers were referred to the firm by issuers of the firm-sponsored IPOs.

a. Prime Number's AML compliance program was not reasonably designed to address the risks of the firm's investment banking business.

FINRA Rule 3310(a) states that a firm must "[e]stablish 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 the implementing regulations thereunder." Implementing regulation 31 C.F.R. § 1023.320 requires every broker-dealer, in specified circumstances, to file with the Financial Crimes Enforcement Network (FinCEN) a suspicious activity report (SAR) 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 firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence to include, but not be limited to, conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

FINRA Regulatory Notice 19-18, issued in May 2019, identifies examples of red flags suggestive of suspicious activity, including, among others, where: a customer opening an account at the firm provides information that is inconsistent with statements or documents that the customer has provided or is inconsistent with other available information about the customer; the customer's legal or mailing address is associated with multiple other accounts or businesses that do not appear related; seemingly unrelated clients open accounts on or at about the same time, deposit the same low-priced security and subsequently liquidate the security in a manner that suggests coordination; or a customer's activity represents a significant proportion of the daily trading volume in a thinly traded or low-priced security. RN 19-18 further stated that "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a SAR filing may be warranted."

Regulatory Notice 21-03, issued in February 2021, identified other examples of red flags of fraud involving low priced-securities, including "multiple new customers opening accounts (particularly if they reside overseas and communicate with the firm only through electronic means) who either deposit shares of the same issuer or were introduced by the same individual" and "customers that engage in transactions that are consistent with an intent to affect the price of a low-priced stock."

Regulatory Notice 22-25, issued in November 2022, alerted members that IPOs for certain small capitalization issuers on U.S. stock exchanges may be the subject of pump-and-dump-like schemes (sometimes referred to as "ramp-and-dump" schemes). RN 22-25 described how FINRA had observed significant unusual price increases on the day of or shortly after the IPOs of certain small-cap issuers, most of which involve issuers with operations in other countries. RN 22-25 also identified common elements of such schemes, including the use of "nominee accounts," which are brokerage accounts that are controlled by an undisclosed person or group. RN 22-25 further stated that nominee accounts may raise potential concerns including "apparent contradictions between customers' trading activity and their ages, occupations, investment experience, financial status and sources of funding," and "possible centralized control over a group of nominee accounts," which can be identified through indicators such as similar timing of account opening, customer contact information, bank account information, IP addresses, initial account funding amounts, and amounts of indications of interests.

Prime Number failed to establish and implement policies and procedures that could reasonably be expected to detect and cause the reporting of suspicious transactions in light of the firm's investment banking activities and customer base. The firm's AML written compliance program failed to address specific red flags associated with the firm's investment banking business, such as risks associated with the firm's opening of accounts referred by issuer-affiliated entities, or its participation in deals involving issuers based in China or other foreign jurisdictions. Moreover, the firm did not have procedures addressing how the firm should review transactions to identify suspicious activity; how

AML risks should be identified on an ongoing basis; what concerns would justify the escalation of identified red flags; or how red flags should be investigated. The firm's AML program also did not include risk-based procedures for conducting ongoing customer due diligence.

Prime Number did not use trade surveillance or exception reports reasonably designed to identify suspicious transactions connected with firm-sponsored IPOs and post-IPO trading, despite firm customers engaging exclusively in such activity. Instead, the firm relied on a manual review of transactions to identify red flags of suspicious transactions; however, in practice, firm personnel did not review transaction data for potentially suspicious trading relating to any post-IPO sales of securities, including instances where firm customers sold shares that made up as much as 80% of the daily trading volume in a low-priced security. The firm also had no system to detect whether multiple accounts had a relationship, even seemingly unrelated accounts that shared common information, such as email addresses, home addresses, phone numbers, or external bank accounts. Moreover, even when the firm became aware of accounts that had common information indicating they may be related, it conducted no review of those accounts for potentially coordinated trading.

As a result of these deficiencies, Prime Number did not detect or reasonably investigate red flags of suspicious activities, including in the account-opening process for customers who opened accounts to invest in small-cap, foreign-based IPOs and those customers' subsequent trading activity. For example:

- The firm did not investigate when multiple accounts were opened for seemingly unrelated customers who provided the same residential address, social security number, phone number or external bank account in account opening documentation nor did the firm investigate whether the customers were engaging in coordinated trading.

- The firm did not investigate two accounts that used the same China-based commercial address on their new account forms, were opened on the same day, and invested in the same small-cap IPO, even after Prime Number's clearing firm flagged both customers for requesting a wire transfer to an address not listed on the account opening forms.

- The firm did not investigate instances where customers' known income or financial resources appeared inconsistent with the customers' IPO transactions, for example where the customers' indication of interest in an IPO investment was up to seven times larger than their stated income and net worth.

- Other customers were referred to Prime Number by a foreign firm working for a foreign, small-cap issuer for which Prime Number served as underwriter for an IPO; two of those customers went on to request sales of the issuer's stock at the same price on the same day from geographically similar IP addresses. Even when firm personnel flagged the identical trade requests from the suspicious IP addresses, the firm's AML compliance personnel failed to conduct a reasonable investigation into the accounts.

- Finally, the firm failed to investigate potentially coordinated transactions or suspicious transactions, including when seemingly unrelated customer accounts placed buy orders on the same day, at approximately the same time, and at the same price in a low-priced security for which the firm had participated in the IPO.

As a result, Prime Number violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

b. Prime Number failed to conduct reasonable independent testing of its AML program.

FINRA Rule 3310(c) requires member firms to "[p]rovide for annual (on a calendar-year basis) independent testing for compliance to be conducted by member personnel or by a qualified outside party, unless the member does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such 'independent testing' is required every two years (on a calendar-year basis)."

Prime Number, which is required to conduct independent testing of its AML compliance program on an annual basis, conducted independent tests during calendar years 2022, 2023 and 2024, but the tests were not reasonably designed in light of their failure to address the risks associated with the firm's business, including risks related to opening accounts for issuer-referred customers and trading activity through the firm by such customers. For example, one annual test noted that the firm's customers were all high-net-worth individuals, which was not consistent with the income and net worth figures included in many of the customers' account opening forms, and those customers went on to invest large sums in firm-sponsored IPOs. Similarly, when the independent testing assessed the firm's transaction monitoring, the review was limited to third-party wire transactions and did not assess any other transaction monitoring done by the firm, including any monitoring of customers' trading activity. Finally, in multiple calendar years, the firm failed to provide the independent consultant with requested information related to customer risk profiles and exception reports and thus the consultant did not have sufficient information to make an independent assessment in those areas; no exception was noted in the reports despite the missing information.

As a result, Prime Number violated FINRA Rules 3310(c) and 2010.

B. Prime Number did not preserve and review its employees' business-related electronic communications on unapproved platforms.

FINRA Rule 4511 requires member firms to "make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Under Exchange Act § 17(a) 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, including text messages and other electronic messages.

FINRA Rule 3110 requires that a member firm establish and maintain a system, including written supervisory procedures, 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. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. FINRA Rule 3110(b)(4) provides that the firm's supervisory procedures shall include procedures for review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member's investment banking or securities business.

A violation of Exchange Act § 17(a), Exchange Act Rule 17a-4, FINRA Rule 4511 and FINRA Rule 3110 is also a violation of FINRA Rule 2010.

Between July 2020 and December 2024, Prime Number did not establish, maintain, and enforce a supervisory system reasonably designed to review and retain electronic communications of its registered persons, including business-related communications sent on unapproved communications platforms, such as messages sent through third-party applications. During this period, the firm ignored red flags that its registered persons, including firm management, were using unapproved systems to communicate about the firm's securities business, including communications with issuers about firm-sponsored IPOs and with Prime Number's clearing firm about trading in customer accounts. Indeed, supervisors at the firm were on notice that registered persons were using unapproved messaging applications for business-related communications, and at times, participated in those communications themselves. However, the firm made no effort to retain those communications so it could review them, nor did it not take timely corrective action to prevent further use of such communications. As a result, the firm did not review or retain hundreds of business-related communications sent by firm representatives on unapproved communication platforms during the relevant time period.

In January 2025, the firm adopted procedures to retain and review communications on the previously unapproved platforms.

By failing to preserve and review its employees' business-related electronic communications, Prime Number violated Exchange Act § 17(a), Exchange Act Rule 17a-4, and FINRA Rules 3110, 4511, and 2010.

C. Prime Number failed to make timely filings of required documents to FINRA.

FINRA Rule 5110 requires member firms that participate in public offerings to file documents and information with FINRA about the underwriting terms and arrangements. FINRA Rule 5110(a)(4) provides that the documents required to be filed include, among others, the registration statement and any other document used to offer the securities to the public; all documents relevant to the underwriting terms and arrangements, including any proposed underwriting agreement or warrant agreement; and the final registration statement declared effective by the SEC and the notice of effectiveness. Rule 5110(a)(3) requires the documents to be filed no later than three business days after any such documents are filed with or submitted to the SEC, or at least 15 days prior to the commencement of sales if not filed with the SEC. Rule 5110(a)(4) further requires amendments to any documents reflecting changes to the underwriting terms and arrangements to be filed with FINRA.

A violation of FINRA Rule 5110 is also a violation of FINRA Rule 2010.

From September 28, 2020 through October 2025, in connection with its participation as an underwriter in certain public offerings, the firm failed to file required documentation with FINRA in a timely manner. Specifically, the firm failed to file the required documentation with FINRA within three business days after documents were filed with or submitted to the SEC in approximately 25 offerings, including eight that were late by more than 30 days.

Therefore, the firm violated FINRA Rules 5110 and 2010.

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

- a censure;
- a $335,000 fine; and
- an undertaking to retain an independent consultant as described below.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. FINRA's Finance Department will contact Respondent regarding payment. 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.

1. Respondent has undertaken to do the following:

   a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this AWC an independent consultant not unacceptable to FINRA to conduct a comprehensive review of the adequacy of Respondent's compliance with the adequacy of Prime Number's compliance with FINRA Rules 3310(a), (c) and (f) and FINRA Rule 5110 and to recommend procedural and systemic changes relating to the same;

b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Respondent during the two years prior to the date of the notice of acceptance of this AWC.

c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Prime Number shall require the independent consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the independent consultant's communications with FINRA. Further, upon request, Respondent shall make available to FINRA any and all communications between the independent consultant and the Respondent and documents examined by the independent consultant in connection with this review.

d. Refrain from terminating the relationship with the independent consultant without FINRA's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to FINRA;

e. Require the independent consultant to submit an initial written report to Respondent and FINRA at the conclusion of the independent consultant's review, which shall be no more than 160 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's compliance with FINRA Rules 3310(a), (c) and (f) and FINRA Rule 5110 (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to FINRA Rules 3310(a), (c) and (f) and FINRA Rule 5110; and

   (i) Within 90 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the independent consultant or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and FINRA.

   (ii) Respondent shall require the independent consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and

(B) provide Respondent and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the independent consultant and Respondent are unable to agree, Respondent must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the independent consultant.

(iii) Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Respondent shall provide the independent consultant and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

f. Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without FINRA's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondent or any of Respondent's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.

The sanctions imposed in this AWC shall become 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.

5/29/2026
Date

Prime Number Capital, LLC
Respondent

Print Name: Hao Sheng

Title: Chief Compliance Officer

Reviewed by:

William Uchimoto, Esq.
Counsel for Respondent
William W. Uchimoto Law
613 Cascades Ct.
Berwyn, PA 19312

Accepted by FINRA:

6/10/26
Date

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

Myla G. Arumugam
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