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FINRA Fines Firm and Its CCO for Supervisory and Reporting Failures: Reed Smith

On March 24, 2025, United First Partners LLC ("UFP") and its Chief Compliance Officer, Elizabeth Dickerson ("Dickerson"), entered into a Letter of Acceptance, Waiver, and Consent ("AWC") with the Financial Industry Regulatory Authority ("FINRA") to resolve allegations that UFP and Dickerson failed to establish and maintain a reasonable supervisory system, including written procedures, designed to supervise the outside brokerage accounts of its registered representatives and restrict or limit the information flow between UFP's research department and its sales and trading personnel. The AWC also resolved allegations that UFP failed to report its eligible fixed income transactions to the Trade Reporting and Compliance Engine (known as TRACE) and customer municipal transactions to the Real-time Transaction Reporting System (known as RTRS), and that it sent inaccurate or incomplete confirmations to some of its customers in connection with options transactions.

Specific Supervisory and Reporting Failures According to FINRA, from April 2019 to June 2022, UFP and Dickerson permitted unrestricted interactions between the firm's research department and its sales and trading staff, including the regular circulation of draft research reports to sales and trading staff to obtain their input on, among other things, recommendations in the reports. Additionally, from March 2020 to March 2021, the peak of the COVID-19 pandemic, when Dickerson worked remotely, she failed to review statements associated with registered representatives' outside brokerage accounts, contributing to the firm's failure to detect and investigate trading in securities covered by the firm's research group by three employees. Dickerson also did not consistently review the annual compliance attestations of the firm's associated persons and failed to obtain compliance questionnaires from any of its representatives in 2021.

Pursuant to the AWC, UFP consented to a censure, a $215,000 fine, and an undertaking that it will implement a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with federal securities laws and regulations, rules of the relevant self-regulatory organizations, and to remediate the issues identified above, within 90 days of the AWC. Dickerson consented to a one-month suspension in her capacity as a principal and a $5,000 fine.

Compliance Lessons In addition to highlighting the longstanding obligation of member firms to maintain a reasonably designed supervisory system, policies, and procedures, the AWC underscores the importance of ensuring that such supervisory systems and written policies and procedures are implemented and enforced at all times, including during unprecedented globally disruptive events such as the COVID-19 pandemic. For example, FINRA found that UFP's written supervisory procedures failed to identify any steps to verify the receipt of duplicate statements for its representatives' outside brokerage accounts, or instructions on how compliance should review them. Dickerson was designated as the sole representative responsible for requesting and reviewing the duplicate statements; however, her review was sporadic and limited to just three to four accounts (out of approximately forty) per month. FINRA determined that the review process was not reasonable given the volume of monthly statements and because it did not facilitate the identification of patterns or activity over time or across accounts.

The AWC is a reminder for member firms to review their supervisory systems and written supervisory procedures, and to ensure they are reasonably designed and consistently implemented and enforced at all times.

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