FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT, Complainant, v. DAVID WONG (CRD No. 4689031), Respondent.	Disciplinary Proceeding No. 2021069373001 Hearing Officer–MC **HEARING PANEL DECISION** April 21, 2025

Respondent David Wong is barred from associating with any FINRA member firm in any capacity for converting and misusing customer funds.

Appearances

For the Complainant: Tina Lawrence, Esq., Melissa Meyers, Esq., Marianne Combs, Esq., and John Luburic, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: Alan M. Wolper, Esq. and Morgan K. Johnson, Esq., UB Greensfelder LLP

DECISION

I. Introduction

Respondent David Wong is the majority owner, chief executive officer ("CEO"), chief financial officer ("CFO"), and chief compliance officer ("CCO") of FINRA member firm Integrity Brokerage, LLC ("Integrity" or "Firm").[1] Integrity currently has nine registered representatives and $20 million in assets under management.[2]

At the hearing, the parties agreed that Wong converted funds in two customer accounts by transferring them to a Firm account without the knowledge or consent of the customers.[3] The first unauthorized transfer was on March 11, 2022, when Wong instructed Integrity's clearing firm to transfer $3,230 from the retirement account of a customer, CL, into a Firm account.[4] The

[1] Joint Stipulations ("Stip.") ¶ 2.

[2] Hearing Transcript ("Tr.") 244–45.(Wong).

[3] Stip. ¶¶ 5, 6.

[4] Stip. ¶¶ 5, 13.

transfer did not come to FINRA's attention until it investigated the second conversion, which occurred on January 25, 2023, when he instructed the clearing firm to assess $6,200 in fees against a trust account established for two other customers, CB and TJ, resulting in the transfer of that amount into a Firm account.[5]

Although the parties agree on the facts of Wong's misconduct, they dispute what the appropriate sanction should be. FINRA's Sanction Guidelines provide that the standard sanction for conversion is a bar.[6] Wong asserts that there are mitigating circumstances that justify imposing a lesser sanction. Enforcement disagrees. Accordingly, the issue presented at the hearing in this disciplinary proceeding was whether there are any mitigating circumstances that warrant imposing a sanction less than a bar.

II. The Complaint and Answer

The Complaint contains two causes of action, one for each of the customer accounts. Both charge Wong with violating FINRA Rule 2150(a), which prohibits a person associated with a FINRA member firm from making "improper use" of a customer's funds. They also charge him with violating FINRA Rule 2010, requiring members to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. The Complaint alleges that Wong violated Rule 2010 in two ways: first, because violating Rule 2150 also violates Rule 2010, and second, because conversion is an independent violation of Rule 2010.[7]

In his Answer, Wong states that after acquiring Integrity in July 2020, he had to settle a FINRA Enforcement action and customer arbitrations arising from the misconduct of an Integrity broker who left the firm before Wong purchased it. This led to his decision to "temporarily" take funds from the account of one customer, the widow of the former broker, so the money would be available at the conclusion of litigation he expected to engage in with the customer.[8] His Answer asserts that he took the funds from an account held by two other customers because he expected to have to pay a fine resulting from a complaint the customers made to FINRA about him.[9] In the Answer, Wong concedes converting customer funds but claims "the funds were never used" and he eventually returned them to the customers. Rather, he states that his actions in essence "sequestered" the funds so that they would be available if he and the Firm incurred costs resulting from litigation in connection with the two accounts.[10]

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[5] Stip. ¶¶ 6, 25.

[6] FINRA Sanction Guidelines ("Guidelines") at 96, n.2 (Mar. 2024), https://www.finra.org/sanction-guidelines.

[7] Complaint ¶ 4.

[8] Answer ("Ans.") 1–2.

[9] Ans. 2.

[10] Ans. ¶¶ 2–3.

III. Findings of Fact

A. Jurisdiction and Origin of the Investigation

Wong has been registered as a General Securities Representative with FINRA since September 2003. Since then, he has associated with 13 different FINRA member firms.[11] In August 2020, he purchased a majority interest in Integrity, acquired registration as a General Securities Principal, and is now the Firm's CEO, CFO, and CCO.[12] He is subject to FINRA's jurisdiction because he is currently associated with a member firm and the misconduct occurred during that association.[13]

The inquiry into Integrity that eventually led to the filing of the Complaint in this case began with a referral to Enforcement in the spring of 2022 stemming from FINRA staff's observations during a routine cycle examination at the Firm.[14] About a year later, on March 16, 2023, an attorney representing two Integrity account holders, CB and TJ, submitted an online Investor Complaint Form to FINRA.[15] In it, the attorney alleged that Integrity had engaged in unauthorized trading in the account of deceased customer GL and that, when the lawyer submitted a "complaint letter" about this, Integrity "charged the decedent's account" with inappropriate fees.[16]

B. Customers CB and TJ

CB and TJ were daughters of a deceased married couple, DL and GL, who had been Integrity customers until their deaths in 2021.[17] The parents had Integrity retirement accounts that together, at the time of their deaths, totaled more than half a million dollars.[18]

After their parents' deaths, CB and TJ opened a trust account at Integrity to receive funds inherited from their parents' accounts.[19] They were beneficiaries and co-trustees.[20] They retained

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[11] Stip. ¶ 1.

[12] Tr. 152 (Wong); Stip. ¶ 2.

[13] Stip. ¶ 3.

[14] Tr. 23–24 (FINRA investigator Kristen David ("David")).

[15] Tr. 25–26; Joint Exhibit ("JX-_") 31.

[16] Tr. 27–28 (David); JX-31, at 1.

[17] Tr. 26 (David); Stip. ¶¶ 19–20. GL also had two sons from a prior marriage who had accounts at the Firm. Tr. 196–97 (Wong).

[18] JX-12, at 1; JX-13, at 1.

[19] Tr. 26–27 (David); Stip. ¶¶ 19, 21.

[20] Stip. ¶ 22.

the law firm that previously represented their parents to assist their effort, as executors of their parents' estate, to close their parents' accounts and transfer the funds to their trust account.[21]

The Investor Complaint Form the lawyer submitted to FINRA referred to a June 17, 2022 letter ("Complaint Letter") that the lawyer had previously sent to Wong and to Integrity's clearing firm, Axos Clearing.[22] The Complaint Letter objected to unapproved transfers Integrity had made from one of GL's accounts and also expressed dissatisfaction with delays in the transfer of funds from DL's retirement account to CB and TJ's trust account.[23] On January 12, 2023, in response to a Rule 8210 request for information, Wong provided a copy of the Complaint Letter to Enforcement.[24]

1. Wong Converted and Misused Funds in CB and TJ's Trust Account

Almost two weeks after responding to FINRA's Rule 8210 request for information, on January 25, 2023, Wong instructed Axos to charge CB and TJ's trust account two "fees" totaling $6,200.[25] The trust account statement describes one, for $5,000, as a charge for a "FINRA fine complaint" and the other, for $1,200, as a charge for a "FINRA investigation."[26] Wong directed Axos to transfer the funds into Integrity's error account.[27] This was a temporary holding account used by Axos to hold Integrity money until it conducted a monthly sweep to collect funds Integrity owed Axos, and transfer any remaining funds belonging to Integrity into Integrity's checking account.[28]

Wong did not ask for or obtain permission from CB and TJ before making the transfer from their trust account.[29] The $6,200 transfer was commingled with other funds in Integrity's error account.[30] On February 3, 2023, Axos swept the funds out of the error account and included them in Integrity's clearing statement.[31] On March 10, the error account balance of $22,273,

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[21] Tr. 26–27; JX-26, at 1.

[22] Tr. 37 (David).

[23] JX-29, at 2; Stip. ¶ 23.

[24] Stip. ¶ 24.

[25] Tr. 29–30 (David); Stip. ¶ 25.

[26] Stip. ¶ 26; JX-14, at 4; JX-14 (The January 2023 account statement for CB and TJ's trust account, shows two charges of $5,000 for "FINRA FINE COMPLAINT." According to Wong, the clearing firm erroneously "double booked" the entry for the charge, and the clearing firm later corrected the error at his instruction.); JX-33, at 121–22.

[27] Stip. ¶ 29; CX-2.

[28] Tr. 55 (David); CX-2.

[29] Stip. ¶¶ 28, 30.

[30] Tr. 145 (Wong); Stip. ¶ 31; CX-2.

[31] Tr. 60 (David); CX-2.

including the $6,200 taken from CB and TJ's trust account, was transferred to Integrity's checking account.[32]

2. Wong's Explanations for Taking CB and TJ's Funds

a. Emails

In February 2023 CB and TJ's lawyer emailed Wong asking for an explanation of the $5,000 deduction from the trust account, which her clients had not authorized.[33] Wong replied that the "$5,000 from the account is on restriction pending guidance from Finra [sic] regarding their investigation of the complaint letter that we unfortunately were obligated to inform and correspond. The case bypassed Investigations and went directly to Enforcement which carries a minimum fine of $5,000."[34] Wong concluded by writing that he "will transfer the full cash amount when the case is cleared and closed."[35]

b. FINRA's Interview with Wong

Enforcement staff interviewed Wong by telephone in March 2023.[36] Wong confirmed that he imposed the $6,200 in assessments in reaction to the Complaint Letter.[37] He asserted that he charged the $1,200 "investigation fee" to compensate himself for the time he took to respond to FINRA inquiries about the Complaint Letter. He stated he intended use the $5,000 fee to pay FINRA if it levied a fine on him but would return the money to the account if FINRA did not impose a fine.[38]

Wong told Enforcement staff that CB and TJ were engaged in a dispute with GL's sons from a previous marriage over the disposition of their parents' estate and claimed that the daughters' lawyer sent the Complaint Letter because they had been unable to "get what they want."[39]

c. Wong's On-the-Record Interview ("OTR")

At an OTR in April 2023, Wong made a series of inconsistent statements about why he assessed the $5,000 "FINRA fine complaint" fee on CB and TJ's trust account. He first testified

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[32] Tr. 67–68 (David); CX-2; JX-21, at 3.

[33] JX-30, at 1. The email does not ask about the $1,200 "fee."

[34] JX-30, at 1–2.

[35] JX-30, at 2.

[36] Tr. 29 (David).

[37] JX-32, at 1.

[38] JX-32, at 1.

[39] JX-32, at 1–2.

that it was because of the family's dispute over the inheritance.[40] He stated that he intended the money "just to be held" by the Firm as he gathered more information about who should rightfully get the funds.[41] He then testified that he did not know why he held the money, that "[i]t was a mistake," and that he knew that he should not have done it.[42] Next, he reiterated his prior interview statement that it was because of the Complaint Letter, which he was required to disclose to FINRA, causing it to investigate.[43] But, he added, he "wasn't sure" if he would be fined by FINRA.[44] He said that he set the amount at $5,000 based on a FINRA announcement he had read stating that $5,000 was "the new minimum fine."[45] Fearing FINRA would fine him "at least $5,000," his "thought at the time" was to use the money to offset any fine.[46] Asked if he had, at the time, thought it was right to charge the account without authorization, he answered bluntly, "[a]bsolutely not."[47]

When the questioning turned to the "FINRA investigation fee" of $1,200, Wong testified that he based the amount on the time—12 hours, he said—that he spent working on the matter.[48] He did not obtain authorization from the account holders, he testified, because the situation generated "a great deal of stress and confusion" for him as he did not know "how to handle the situation."[49]

d. Wong's Hearing Testimony

At the hearing, Wong insisted that the funds he took from CB and TJ were "frozen,"[50] despite acknowledging that they were initially moved to Integrity's error account, which he admitted had other money in it.[51] Yet he pushed back at the suggestion that the funds were commingled, testifying, "No . . . it's an error account. It's not a client account."[52] When CB and

[40] JX-33, at 123–24.

[41] JX-33, at 124.

[42] JX-33, at 125.

[43] JX-33, at 125–26.

[44] JX-33, at 129.

[45] JX-33, at 129.

[46] JX-33, at 130.

[47] JX-33, at 137.

[48] JX-33, at 139.

[49] JX-33, at 143.

[50] Tr. 137–38 (Wong).

[51] Tr. 145–46 (Wong).

[52] Tr. 145–46 (Wong).

TJ's funds then went to Integrity's checking account, he conceded, they might have been used for, in his words, a "[b]usiness purpose."[53]

When asked if he took the funds to punish CB and TJ for having submitted the Complaint Letter, Wong demurred, saying he "wouldn't call it punishment."[54] Questioned about charging CB and TJ for the time he spent responding to FINRA's investigation, Wong denied responsibility, asserting, "I didn't do it. The [F]irm did."[55] He then argued "there is a difference between the [F]irm and me," despite the fact that he is the majority owner, CEO, CFO, and CCO of the Firm.[56] Similarly, he testified that it was not he, but Axos, that "moved that money to my [checking]" account.[57]

At the hearing Wong was asked if, when he did it, he knew taking the money from CB and TJ's trust account was wrong.[58] In contradiction to statements he made at his OTR, Wong stated flatly, "I did not."[59] Was he sure? "I'm sure," he replied.[60]

Wong claimed he did not know to whom the money belonged. Under questioning by his attorney, Wong testified that he thought "foul play" was afoot,[61] and that CB and TJ were "trying to grab the money" from their parents' estate,[62] so he decided to "freeze it."[63] For all he knew, he suggested, CB and TJ were "perpetrators."[64]

C. Customer CL

Customer CL's Integrity account was a Roth IRA.[65] When Wong acquired the Firm in August 2020, CL had been married to a former Integrity registered representative who had recently left the Firm and later died.[66] At the time of the representative's death in January 2022,

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[53] Tr. 146 (Wong).

[54] Tr. 136–37 (Wong).

[55] Tr. 141 (Wong).

[56] Tr. 141–42 (Wong).

[57] Tr. 138–39 (Wong).

[58] Tr. 142–43 (Wong).

[59] Tr. 142–43 (Wong).

[60] Tr. 143 (Wong).

[61] Tr. 202–03 (Wong).

[62] Tr. 200–01 (Wong).

[63] Tr. 211–12 (Wong).

[64] Tr. 143 (Wong).

[65] Stip. ¶ 12.

[66] Stip. ¶¶ 7–8.

there were two customer arbitrations pending against him and Integrity.[67] Wong was also a named respondent in one of the arbitrations.[68] According to Wong, in that filing the customers alleged the former broker made unsuitable recommendations and stole their money.[69] Wong testified that he paid approximately $50,000 to settle the claim while incurring $5,000 in legal fees, and paid an additional $20,000 fee assessed by FINRA.[70] Wong testified that the customer in the other arbitration case claimed that the Firm and the representative made unsuitable recommendations.[71] He testified he paid $20,000 to settle, plus $15,000 to FINRA and $5,000 in legal fees.[72] CL was not a respondent in either case.[73]

1. Wong Converted and Misused the Funds in CL's IRA Account

In March 2022, Wong removed funds from recently widowed CL's account by directing Axos to assess a charge of $3,230.[74] The funds were transferred to Integrity's error account,[75] where they were commingled with other money.[76] Wong made the transfer without asking CL for approval or obtaining authority from her.[77] Wong described the transfer on CL's monthly account statement as "FINRA ARB 21-01782,"[78] the number assigned to the arbitration claim in which Wong was a named defendant.[79] The transfer emptied CL's account.[80]

Integrity's April 2022 statement with Axos shows that Integrity owed more than $30,000 to the clearing firm.[81] Each month, Axos swept funds from Integrity's error account and applied

[67] Stip. ¶ 9.

[68] Stip. ¶ 10.

[69] Tr. 171 (Wong).

[70] Tr. 174–75 (Wong).

[71] Tr. 180–81 (Wong).

[72] Tr. 18 (Wong).

[73] Stip. ¶ 11.

[74] Stip. ¶ 13.

[75] Tr. 74–75 (David); CX-1.

[76] CX-1.

[77] Stip. ¶¶ 17–18.

[78] Tr. 108 (Wong); Stip. ¶ 14.

[79] Stip. ¶ 9.

[80] Stip. ¶ 13.

[81] JX-9, at 2.

them to reduce what Integrity owed Axos.[82] CL's IRA account funds were used, in part, to reduce Integrity's liability that month to $21,566.[83]

2. Wong's Explanations for Taking CL's Funds

a. FINRA's Interview with Wong

Enforcement staff's March 2023 telephone interview with Wong focused initially on Wong's conversion of CB and TJ's trust account funds.[84] Before ending the interview, the staff asked Wong if he had done anything similar in other customer accounts. That is when Wong disclosed that he had taken the funds from CL's IRA account.[85]

In the interview, Wong said that he wanted to speak with CL in an effort to recoup funds from her late husband's estate because of what settling the customer arbitrations had cost him.[86] When CL refused to speak with him, he withheld her funds in an effort to induce her to discuss the matter with him.[87] He told FINRA staff that in his experience he has found it necessary to "freeze" customers' funds to get them to discuss his disputes with them.[88]

b. Wong's OTR

At his OTR, Wong testified that although he came to regret his decision to assess a $3,230 charge to CL's account, he did so as a "response to the 50 grand in . . . arbitration awards" that he had to pay, plus the thousands of dollars in "arbitration proceeding costs" that were the "result" of CL's husband "stealing money from his clients." He acknowledged that CL was not a party to any of the arbitrations, except "to the extent that she was the wife" of the deceased former registered representative.[89] Wong testified that he thought she knew "that her husband was guilty."[90] He charged her $3,230 because "that was what was there."[91] He did not obtain prior authorization from CL, and admitted that acting without her permission was something he "shouldn't have done."[92]

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[82] Tr. 56 (David); CX-1.

[83] Tr. 80–81 (David); JX-9, at 2; CX-1.

[84] Tr. 29–30 (David); JX-32, at 1.

[85] Tr. 69 (David); JX-32, at 2.

[86] Tr. 71 (David).

[87] Tr. 69–70; JX-32, at 2.

[88] JX-32, at 2.

[89] JX-33, at 165–66.

[90] JX-33, at 175.

[91] JX-33, at 167.

[92] JX-33, at 169.

The $3,230 was transferred from CL's account to Integrity's error account on March 11, 2022.[93] Her funds were not returned for more than a year, until after Wong's phone interview with FINRA staff.[94] During the phone call, Enforcement suggested that Wong return the funds, and he agreed to do so.[95]

At various points in his OTR, Wong described his conversion of CL's funds as something he regretted doing;[96] that it reflected his "poor judgment";[97] that he was "an idiot back then";[98] and that it was something he "shouldn't have done."[99]

c. Wong's Hearing Testimony

At the hearing, Wong's testimony contrasted sharply in both substance and tone with his expressions of regret and admissions of culpability at the OTR. For example, when asked if he understood, from the time he first registered with FINRA in 2003, that converting customer funds was wrong and a betrayal of a customer's trust, Wong testified that he understood the concept "in princip[le], yes."[100] But then he prevaricated, testifying, "I don't recall that being on my [series] 24 or even on my [series] 7 . . . I don't recall ever even studying that for my [series] 24 exam. So I guess I don't know how to answer."[101] He said that he did not recall "the word 'conversion'" coming up in any of his securities license training materials.[102]

Wong even disputed describing CL as his customer. He conceded that "she had an account at the time," but insisted "there was no trading." He testified, "You can call her a customer on the technicality that . . . her account was still open at the [F]irm. But I had no dealings with her."[103] With regard to the fact that CL was not involved in her deceased husband's misconduct leading to the arbitration claims, Wong demurred, testifying, "We do not know that."[104] When Enforcement pointed out that CL's husband was not on her retirement account, Wong responded that he was CL's spouse and that "California is a community property state."[105]

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[93] Stip. ¶¶ 13, 15.

[94] JX-33, at 173.

[95] Tr. 48–49 (David).

[96] JX-33, at 166.

[97] JX-33, at 168.

[98] JX-33, at 171.

[99] JX-33, at 172.

[100] Tr. 101–02 (Wong).

[101] Tr. 101–02 (Wong).

[102] Tr. 102 (Wong).

[103] Tr. 105–06 (Wong).

[104] Tr. 106 –07 (Wong).

[105] Tr. 107–08.

He claimed, "I thought she was trying to do me harm," pointing out that CL was married to the representative who "stole maybe half-a-million dollars from clients," suggesting the couple had a joint checking account by which she should have become aware of the thefts.[106]

When asked directly to provide the Hearing Panel with his explanation of why he took CL's funds from her IRA account, Wong answered, "[b]ecause I was seeking justice."[107] As for why he did not return the money after the ploy failed to induce CL to speak with him, Wong testified, "I felt like she broke federal securities law."[108]

When asked about the misuse of CL's funds to reduce a negative balance Integrity had with Axos, Wong continued repeatedly to deny his responsibility, testifying that it was "[n]ot [his] doing. That was through Axos . . . . Axos did it."[109] He testified that it was Axos, not he, who misused the money.[110]

IV. Discussion

It is axiomatic that "handling customer funds" is "one of the fundamental responsibilities of securities professionals."[111] FINRA Rule 2150(a) states that no member firm "or person associated with a member shall make improper use of a customer's securities or funds." Applying funds belonging to someone else to pay a firm's expenses is misuse that violates Rule 2150.[112] Wong's misconduct clearly violated the rule.

"Misuse of a customer's . . . funds rises to the level of conversion" when "an associated person, without authority, intentionally" takes funds that do not belong to the associated person.[113] FINRA's Sanction Guidelines define conversion as "an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it."[114] Therefore, as the factual findings in this case establish, Wong's misuse of customer funds constituted conversion, violating not only FINRA Rule 2150(a), but also FINRA Rule 2010. Wong violated Rule 2010, first, because a violation of Rule 2150(a) also

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[106] Tr. 108–09 (Wong).

[107] Tr. 187–88 (Wong).

[108] Tr. 243 (Wong).

[109] Tr. 117 (Wong).

[110] Tr. 118 (Wong).

[111] *Keilen Dimone Wiley*, Exchange Act Release No. 76558, 2015 SEC LEXIS 4952, at *29 (Dec. 4, 2015).

[112] *Dep't of Enforcement v. Wicker*, No. 2016052104101, 2021 FINRA Discip. LEXIS 31, at *26 (NAC Dec. 15, 2021), *aff'd*, Exchange Act Release No. 100148, 2024 SEC LEXIS 1119 (May 15, 2024).

[113] *Id.* at *18 (citing *John Edward Mullins*, Exchange Act Release No. 66373, 2012 SEC LEXIS 464, at *33 (Feb. 10, 2012)).

[114] Guidelines at 96 n.2.

constitutes a violation of Rule 2010.[115] Second, conversion independently violates FINRA Rule 2010. This is because conversion of customer funds has been determined to be "patently antithetical to the 'high standards of commercial honor and just and equitable principles of trade'" that FINRA Rule 2010 requires of securities professionals.[116]

Here, the facts establishing that Wong misused and converted customer funds are uncontroverted. The manner in which he did so, charging what the evidence shows he intended as punitive "fees," reflects the purposefulness and intentionality of Wong's actions. His eventual return of the funds to the customer accounts, only after FINRA Enforcement staff suggested he should do so, did not undo or mitigate his misconduct.[117]

V. Sanctions

FINRA's Sanction Guideline for improper use of funds recommends consideration of a bar, adding that if there are mitigating circumstances—such as when the respondent misunderstood what the funds were intended to be used for—adjudicators may consider suspending the respondent in any or all capacities for three months to two years, and imposing a fine of $5,000 to $40,000.[118] The Guideline for conversion states plainly that "a bar is standard," without regard to the amount of funds converted.[119] These are the starting points for the Hearing Panel's consideration of the only contested issue in this case, the appropriate remedial sanctions we should impose here.

A. The Aggravating Factors

Applying the relevant Principal Considerations in Determining Sanctions in the Sanction Guidelines, the Hearing Panel finds that there are significant aggravating circumstances.

First, Principal Consideration No. 2 focuses on whether a respondent accepted responsibility for the misconduct and acknowledged it to a regulator before detection.[120]

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[115] *Dep't of Enforcement v. Mielke*, No. 2009019837302, 2014 FINRA Discip. LEXIS 24, at *43, 45 (NAC July 24, 2014), *aff'd*, Exchange Act Release No. 75981, 2015 SEC LEXIS 3927 (Sept. 24, 2015); *Dep't of Enforcement v. Alpine Sec. Corp.*, No. 2019061232601, 2022 FINRA Discip. LEXIS 5, at *84 & n.447 (OHO Mar. 22, 2022) ("The Commission has held that a violation of any FINRA rule . . . constitutes a violation of FINRA Rule 2010."), *aff'd in relevant part,* 2025 FINRA DISCIP LEXIS 6 (NAC Mar. 25, 2025).

[116] *Dist. Bus. Conduct Comm. v. Roach*, No. C02960031, 1998 NASD Discip. LEXIS 11, at *16 (NBCC Jan. 20, 1998) (quoting *Wheaton D. Blanchard*, Exchange Act Release No. 12484, 1976 SEC LEXIS 1571, at *2 (May 27, 1976)).

[117] *Stephen Grivas*, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173, at *28 (Mar. 29, 2016) ("Finally, while we recognize that Grivas eventually repaid the converted funds, we find that this has little if any mitigating effect because he did so only after FINRA had begun its investigation.").

[118] Guidelines at 96.

[119] *Id.*

[120] *Id.* at 7 (Principal Consideration No. 2).

Acknowledgments of one's wrongdoing accompanied by expressions of remorse can be mitigating, if credible.[121]

Wong argues that he has accepted responsibility because he "admits what he did, he regrets what he did."[122] He asserted in his OTR, for example, that it was "[a]bsolutely not" proper to charge CB and TJ's account without authorization.[123] He also testified at the OTR that he regretted converting CL's funds,[124] that it reflected "poor judgment,"[125] and was something he "shouldn't have done."[126]

But he made these admissions after FINRA began its inquiry into the allegations in the Complaint Letter. And although at various points in the course of this proceeding Wong admitted that he knew at the time that it was wrong to convert customer funds, at other times he made claims that were tantamount to denials. For example, at the hearing he testified he "did not" know it was wrong when he took CB and TJ's funds.[127] He also tried to shift blame to his clearing firm when he claimed at the hearing that Axos, not he, was responsible for moving the converted customer funds and commingling them in the Firm's checking account.[128] When asked to explain why he converted CL's retirement account funds, he attempted to justify his actions by claiming he was "seeking justice."[129] When taking CL's funds failed to prompt CL to speak with him, he claimed that he did not return her funds because he believed she "broke the law."[130] The Hearing Panel finds these statements inconsistent with a genuine acceptance of responsibility and a feeling of remorse for his actions.

Second, the Guidelines direct adjudicators to consider whether a respondent's misconduct resulted from an intentional act, negligence, or recklessness.[131] The record demonstrates Wong's conversions were fully intentional. He admitted that, as reflected in CL's account statement, the "fee" he charged CL was to compel her to discuss compensating him for the costs he incurred in settling the arbitration claims related to her deceased husband's clients. He testified that he took CL's funds "to recoup damages that her husband had incurred on me."[132] Wong's testimony

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[121] *Denise M. Olson*, Exchange Act Release No. 75838, 2015 SEC LEXIS 3629, at *21–22 (Sept. 3, 2015).

[122] Tr. 272 (Respondent's closing argument).

[123] JX-33, at 137.

[124] JX-33, at 166.

[125] JX-33, at 168.

[126] JX-33, at 169.

[127] Tr. 142–43 (Wong).

[128] Tr. 138–39 (Wong).

[129] Tr. 187–88 (Wong).

[130] Tr. 243 (Wong).

[131] Guidelines at 8 (Principal Consideration No. 13).

[132] Tr. 109 (Wong).

reveals his animus toward CL, making it clear that in addition to recouping the costs of settling the arbitrations, he also sought to punish her, holding her partially responsible for the wrongdoing of her deceased husband. Wong's conversion of the funds from CB and TJ's deceased father's trust account was similarly deliberate. Wong told their lawyer that he transferred $5,000 from the account to put the funds "on restriction pending guidance from Finra [sic]" about the resolution of its inquiry into the Complaint Letter.[133] His initial explanation to Enforcement staff was that he imposed the $6,200 "fee" on the account in response to the Complaint Letter that their lawyer sent to him, and to compensate himself for the time he spent responding to FINRA's questions about it.[134] For these reasons, the Hearing Panel concludes that Wong's decisions to convert the customers' funds here were not negligent, spur-of-the-moment, impulsive, or thoughtless acts.

Third, Wong's two conversions took place over an extended period, a factor the Guidelines include for consideration in determining sanctions.[135] As noted above, he converted CL's account holdings on March 11, 2022. He converted CB and TJ's trust account funds on January 25, 2023. He did not return the funds to the customers until April 6, 2023.[136] Thus he held and misused CL's retirement account funds for more than a year, and CB and TJ's funds for more than two months.[137]

Fourth, Wong attempted to conceal his wrongdoing and mislead customers CB and TJ, another factor included in the Guidelines.[138] He denies this, arguing that he did not hide his actions "like a typical guy who converts money . . . in a typical conversion," that "he didn't steal the money surreptitiously under the dark of night [to] buy a car or cigars or drugs."[139] His transfers of funds from his customers' accounts were, he points out, disclosed on the customers' account statements.[140]

But Wong's reliance on customer account statements as evidence that he did not try to mislead his customers is misplaced. That transactions are noted in financial records—in this instance, the customers' account statements—does not establish that a respondent did not try to conceal misconduct.[141] In fact, Wong attempted to mislead CB and TJ into thinking his acts were proper and justified when he represented to their attorney that he had placed $5,000 from her

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[133] JX-30, at 1–2.

[134] JX-32, at 1.

[135] Guidelines at 7 (Principal Consideration No. 9).

[136] Stip. ¶ 34.

[137] CX-1; CX-2.

[138] Guidelines at 7 (Principal Consideration No. 10).

[139] Tr. 269 (Respondent's argument).

[140] Tr. 257, 270–71 (Respondent's argument).

[141] *Wicker*, 2021 FINRA Discip. LEXIS 31, at *54 (rejecting respondent's argument that he did not hide his misconduct because financial records showed what happened to the accounts).

clients' trust account "on restriction pending guidance" from FINRA as he faced a "minimum fine of $5,000" because she had submitted the Complaint Letter.[142] And he was not awaiting guidance from FINRA because he never asked for guidance.[143] He had not placed the funds "on restriction"; he converted them to his own use, without any authorization, and had no right to do so pending the conclusion of a FINRA investigation. Nor did he have any right to charge CB and TJ's account $1,200 to compensate himself for the time spent responding to FINRA's inquiries.[144]

B. There Are No Mitigating Factors

Wong points out, correctly, that adjudicators "may impose sanctions that fall outside the range as recommended and may consider aggravating and mitigating factors in addition to those listed."[145] The Hearing Panel is mindful that the sanctions and listing of aggravating and mitigating factors are not mandatory. But we are not persuaded that the mitigating factors suggested by Wong are present.

Wong argues that mitigation can be found in the "unprecedented . . . factual situation" unexpectedly confronting him after purchasing the Firm.[146] His "life dream of owning his firm" was "jeopardized" by the arbitration claims and costs he inherited from the Firm's previous owner in the aftermath of wrongdoing by a former registered representative.[147] Wong characterizes his misconduct as an instance of reacting "very badly" when confronted with overwhelming problems.[148] He claims the misconduct occurred "because he was mentally in a place . . . he has difficulty describing,"[149] a "weird place" that he found himself in, where he acted under an "illogical . . . mind-set" but from which he has "made a good recovery."[150] He claims to be "contrite and apologetic and regretful" and not proud of what he did, and he promises that he "will never do this again."[151]

As noted above, Wong's misconduct began when he took CL's money on March 11, 2022, and did not end until April 6, 2023, when he refunded CL, CB, and TJ their money. This is not a case in which the facts support finding mitigation in the stressful circumstances that a

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[142] JX-30, 1–2.

[143] Tr. 144 (Wong).

[144] JX-33, at 139.

[145] Tr. 265–66 (Respondent's argument).

[146] Tr. 275 (Respondent's argument).

[147] Tr. 267–69 (Respondent's argument).

[148] Tr. 268–69 (Respondent's argument).

[149] Tr. 258 (Respondent's argument).

[150] Tr. 271 (Respondent's argument).

[151] Tr. 261 (Respondent's argument).

respondent has experienced.[152] The passage of time and course of conduct here are not consistent with the type of conduct "that one might associate with stress, such as an unthinking reaction during a stressful moment that is later redressed," but, instead, was consistent with "a high degree of intentionality over a long period of time."[153]

Wong also argues that he "kept an eye" on the converted funds, and that he "always made sure there was a sufficient balance" in the bank accounts—his error account and checking account—to "cover the money he had put in there."[154] Wong thus claims that he was careful to ensure that he could return the funds and that the customers did not lose their money. This suggestion falls flat. Even were it true, it has long been established that the absence of customer harm is not mitigating.[155] Furthermore, because Wong commingled his customers' funds in both the Firm's error account and checking account, the funds were put at risk and used for his own purposes. And the customers were deprived of their right to make other use of their funds.[156]

For these reasons, the Hearing Panel, after considering the totality of the evidence and testimony presented in this case, is unable to agree with Respondent's argument that the facts and circumstances surrounding Wong's misuse and conversion are mitigating.

VI. Conclusion

Having carefully reviewed the testimony and evidence in the case, considered the arguments and briefs of the parties, and applied the Sanction Guidelines and the relevant case law, the Hearing Panel concludes that a bar is the only remedial sanction we can justifiably impose. Conversion is one of the most grievous offenses that can be committed by a securities industry professional.[157] By taking funds given to him by customers for other purposes and using them "as if they were his own," Wong engaged in "flagrant dishonesty" that "renders him unfit for employment in the securities industry."[158] This misconduct is all the more concerning considering Wong's position as majority owner, CEO, CFO, and CCO of a broker-dealer

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[152] *See, e.g.*, *Dep't of Enforcement v. Escobio*, No. 2018059545201, 2021 FINRA Discip. LEXIS 3, at *26 (NAC Mar. 10, 2021), *aff'd*, 2023 SEC LEXIS 1532 (June 12, 2023) (respondent's claim of stress not mitigating when it does not explain the misconduct).

[153] *John M.E. Saad*, Exchange Act Release No. 76118, 2015 SEC LEXIS 4176, at *20–21 (Oct. 8, 2015), *aff'd in relevant part*, 873 F.3d 297 (D.C. Cir. 2017) (finding professional and personal stress present but not mitigating when the misconduct reflects a "high degree of intentionality over a long period of time").

[154] Tr. 270 (Respondent's argument).

[155] *Howard Braff*, Exchange Act Release No. 66467, 2012 SEC LEXIS 620, at *26 (Feb. 24, 2012); *Edward S. Brokaw*, Exchange Act Release No. 70883, 2013 SEC LEXIS 3583, at *40 (Nov. 15, 2013).

[156] *Roach*, 1998 NASD Discip. LEXIS 11, at *16 (placing customer funds in an account without authorization subjects the customer to risk and constitutes misuse).

[157] *Mullins*, 2012 SEC LEXIS 464, at *47.

[158] *Dep't of Enforcement v. Reyes*, No. 2016051493704, 2021 FINRA Discip. LEXIS 29, at *66 (NAC Oct. 7, 2021).

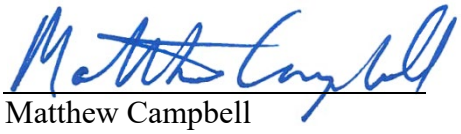
employing, at the time of the hearing, nine registered representatives responsible, by Wong's estimate, for $20 million in assets under management.[159]

The Hearing Panel observed Wong carefully during the hearing. We cannot agree with his assertions that he "has learned his lesson," that he will "never do it again," and that his misconduct consisted of aberrational "mistakes."[160] Rather, the Hearing Panel finds that Wong's failure to accept responsibility for converting customer funds calls into question his ability to conform his conduct to the high standard of commercial honor and just and equitable principles of trade required of securities professionals by FINRA Rules 2150(a) and 2010. The bar is intended to deter Wong and protect the investing public from a recurrence by him and similar misconduct by others.

VII. Order

Respondent David Wong violated FINRA Rules 2150(a) and 2010, and independently violated FINRA Rule 2010, by misusing and converting customer funds, as alleged in the Complaint's two causes of action. For these violations, the Hearing Panel bars him from associating with any FINRA member firm in any capacity.[161] The bar shall take effect immediately if this becomes FINRA's final action.

Respondent is ordered to pay hearing costs of $3,735.16, consisting of a $750 administrative fee and $2,985.16 for the cost of the transcript. Payment of the costs shall be due on a date set by FINRA, but not sooner than 30 days after this decision becomes FINRA's final action.



Matthew Campbell
Hearing Officer
For the Hearing Panel

[159] Tr. 244–45 (Respondent's argument).

[160] Tr. 271–73 (Respondent's argument).

[161] The Hearing Panel has considered and rejects without discussion all other arguments made by the parties.

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