

**BEFORE THE  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.**

In the Matter of the Application of

Jose L. Centeno

For Review of Action Taken by

FINRA

Administrative Proceeding No. 3-22557

**FINRA'S BRIEF IN OPPOSITION TO THE APPLICATION FOR REVIEW**

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**FINRA'S BRIEF IN OPPOSITION TO THE APPLICATION FOR REVIEW**

**I. INTRODUCTION**

Over a period of nearly two years, Jose L. Centeno falsified his employing firm's records when he marked as reviewed 374 exception reports containing over 50,000 transactions that he, in fact, never examined. Review of these exception reports, for which Centeno was responsible as a member of his firm's trading compliance group, was important to ensuring that the firm complied with its regulatory obligations by surveilling trades for possible money laundering, market manipulation, and other potential misconduct. Centeno's misconduct was intentional, and it ended only after his firm discovered his numerous falsifications.

Based on the foregoing, FINRA concluded that Centeno acted in contravention of the ethical obligations imposed on a securities industry professional through FINRA Rule 2010 by entering false information in firm records concerning his reviews of the exception reports. Considering the dishonest nature of his misconduct, and the presence of multiple factors that serve to aggravate his misconduct for the purpose of imposing disciplinary sanctions, FINRA

suspended Centeno from associating with any member in any capacity for a period of 12 months and fined him \$10,000.

In this appeal, as in his appeal to FINRA's National Adjudicatory Council ("NAC"), Centeno does not dispute FINRA's findings that he entered false information in his firm's records concerning his reviews of the exception reports, or that this conduct violated FINRA Rule 2010. Rather, he challenges only the sanctions that FINRA imposed for his troubling deceptions.

The Commission should reject Centeno's arguments that a 12-month suspension and \$10,000 fine are excessive or oppressive. As FINRA found, Centeno's misconduct is predominated by aggravating factors, including its intentional nature, the substantial number of firm records involved, and the importance of those records to the firm's regulatory compliance. Centeno's attempts to compare FINRA's sanctions to those agreed upon by parties in settled matters are inapposite, as it is well-established that comparisons to sanctions in settled cases are inappropriate. Moreover, Centeno's efforts to minimize his misconduct underscore the need for the suspension and fine, which will protect investors and the public interest by ensuring that Centeno reflects upon the seriousness of his actions and the regulatory obligations he flouted and deterring others from engaging in similar misconduct. The Commission therefore should affirm the sanctions that FINRA imposed, which are well-supported by the record and appropriately remedial given the facts in this case.

## II. FACTUAL BACKGROUND

### A. Centeno's Career in the Securities Industry

Centeno began his career in the securities industry in 2009 as an employee of FINRA, first in a clerical role and then as a financial operations examiner. RP 544-45, 976.<sup>1</sup> Later, and during the period of his alleged misconduct, he was registered as a general securities representative, general securities principal, and securities trader at Canaccord Genuity LLC ("Canaccord"). RP 545, 974-76. Centeno currently serves as a compliance officer for another FINRA member, with whom he is registered as a general securities representative, general securities principal, securities trader, operations professional, and securities trader principal. RP 211, 546-47, 971-73, 976.

### B. Canaccord's Business and Centeno's Duties at the Firm

Canaccord is a broker-dealer and market maker in over-the-counter ("OTC") securities, and its principal business is "servic[ing] wholesale retail order flow in OTC securities, which is directed through broker-dealer intermediaries."<sup>2</sup> RP 1331; *see also* RP 548. OTC securities are frequent targets for potential fraud and market manipulation.<sup>3</sup> Consequently, broker-dealers, like Canaccord, who conduct business in OTC securities are required to employ policies reasonably

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<sup>1</sup> "RP \_\_" refers to the page numbers in the certified record of this case filed with the Commission on December 8, 2025.

<sup>2</sup> "OTC securities" refers to equities not traded on a national exchange. FINRA, *A Look at Over-the-Counter Equities Trading*, <https://www.finra.org/investors/insights/over-the-counter-equities-trading> (Apr. 24, 2024) (last visited Mar. 3, 2026) (hereafter, "*A Look at Over-the-Counter Equities Trading*").

<sup>3</sup> *A Look at Over-the-Counter Equities Trading*; U.S. Securities and Exchange Commission: Division of Economic Risk and Analysis, Joshua T. White, *Outcomes of Investing in OTC Stocks*, at 11-12, [https://www.sec.gov/files/white\\_outcomesotcinvesting.pdf](https://www.sec.gov/files/white_outcomesotcinvesting.pdf) (Dec. 16, 2016) (last visited Mar. 3, 2026) (hereafter, "*Outcomes of Investing in OTC Stocks*").

designed to monitor and identify potential improper trading in those securities.<sup>4</sup>

Centeno was a member of Canaccord's trading compliance group. RP 212, 549. This group was responsible for reviewing Canaccord's trading for suspicious activity and, to that end, was required to review multiple exception reports to detect and report possible improper trading. RP 212, 550. Centeno's responsibilities included review of five different exception reports, namely, the firm's Wash Sales Reports, Marking-the-Open Reports, FID4025 Reports, FID5023 Reports, and Low Volume Reports. RP 212, 551-52.

The reports assigned to Centeno for review were important to Canaccord fulfilling its regulatory obligations. Canaccord's Wash Sales Reports identified transactions in which there potentially were no changes in beneficial ownership, an indication they may have been entered into for the purpose of creating a false appearance of heightened volume or liquidity for the security.<sup>5</sup> RP 213, 564-65. The Marking-the-Open Reports flagged trading activity that took place shortly after the market opened and may have been intended to manipulate the price of a

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<sup>4</sup> See FINRA Rules 3110, 3310; *Michael T. Studer*, 57 S.E.C. 1011, 1023-24 (2004) ("The duty of supervision includes the responsibility to investigate 'red flags' that suggest that misconduct may be occurring and to act upon the results of such investigation."), *aff'd*, 260 F. App'x 342 (2d Cir. 2008); *Dep't of Enf't v. N. Woodward Fin. Corp.*, Complaint No. 2011028502101, 2016 FINRA Discip. LEXIS 35, at \*27-28 (FINRA NAC July 19, 2016) (a firm's supervisory system must be "tailored specifically to the member's business") (quoting *NASD Notice to Members 99-45*, 1999 NASD LEXIS 20, at \*5 (June 1999)) (emphasis in original); see also *FINRA Regulatory Notice 21-03*, 2021 FINRA LEXIS 2, at \*3-4 (Feb. 2021) (explaining that broker-dealers are gatekeepers to the public securities markets and are required to take appropriate steps to guard against potential fraud and other suspicious activity).

<sup>5</sup> The securities laws and FINRA rules prohibit wash sales when entered for the purpose of creating a false or misleading appearance of active trading in a security, or a false or misleading appearance with respect to the market for a security. See 15 U.S.C. §§ 78i(a)(1)-(2); FINRA Rule 6140(b); *Edward J. Mawod & Co.*, 46 S.E.C. 865, 869-71 (1977), *aff'd*, 591 F.2d 588 (10th Cir. 1979).

security.<sup>6</sup> RP 213, 585. Each of the transactions listed in the Wash Sales and Marking-the-Open Reports was a potential violation of the securities laws and FINRA rules. RP 565, 567, 569, 587.

Canaccord's FID4025 Reports were used to confirm that manually marked riskless principal trades were accurately recorded and reported.<sup>7</sup> RP 213, 599. The firm used its FID5023 Reports to confirm compliance with Regulation NMS's "Order Protection Rule," which protects against "trade-throughs," or orders executed "at a price that is inferior to the price of a protected quotation," without an applicable exception.<sup>8</sup> *Regulation NMS*, 70 Fed. Reg. 37,496, 37,501 (June 29, 2005) (explaining the purpose of the Order Protection Rule, which is codified at 17 C.F.R. § 242.611); RP 214, 616. Review of each transaction listed in a FID5023 Report was important to ensure that the customer received the best available price for their trade and, moreover, to ensure that the trade was not a potential regulatory violation. RP 616-18. Finally,

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<sup>6</sup> "Marking the open" is a form of market manipulation that violates the Exchange Act and FINRA rules. *Dep't of Enf't v. Brokaw*, Disciplinary Proceeding No. 2007007792902, 2010 FINRA Discip. LEXIS 34, at \*27-31 & n.28 (FINRA OHO June 11, 2010) (citing Exchange Act § 10(b), SEC Rule 10b-5, and former NASD Rules 2120 and 2110 (currently FINRA Rules 2020 and 2010)).

<sup>7</sup> "A principal trade is a trade in which the broker/dealer buys or sells for an account in which the broker/dealer has a beneficial ownership interest (e.g., a proprietary account)." *NASD Notice to Members 01-85*, 2001 NASD LEXIS 91, at \*3 (Dec. 2001). "[A] riskless principal trade is one in which a broker/dealer, after having received an order to buy (sell) a security, purchases (sells) the security as principal, at the same price, to satisfy that order." *Id.* at \*4; RP 605. Like other types of trades, riskless principal trades are subject to regulatory reporting requirements. *See, e.g.*, FINRA Rules 7130, 7230A, 7230B, 7330; FINRA, *Trade Reporting Frequently Asked Questions, Section 302: Reporting Riskless Principal Transactions*, <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq#302> (last visited Mar. 3, 2026).

<sup>8</sup> A "protected quotation" must be immediately and automatically accessible. SEC Division of Market Regulation, *Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS*, at 1, <https://www.sec.gov/divisions/marketreg/rule611faq.pdf> (last visited Mar. 3, 2026).

the firm used its Low Volume Reports to identify and monitor transactions in thinly traded securities, which can be susceptible to manipulation.<sup>9</sup> RP 214, 718-19.

### **C. Expectations for Centeno's Reviews of Exception Reports**

Centeno received the Low Volume Reports by email, while the other four exception reports were stored on a third-party proprietary software platform called eQube® (“eQube”). RP 212, 366-67, 554, 720. All these reports were generated daily, and Centeno was expected to review them the day they were generated and to document his reviews of them in firm records.<sup>10</sup> RP 212-14, 552-53, 721. Centeno understood that he was required to review each transaction listed in each of the relevant reports and that, when he marked a report as reviewed, he was representing to his firm that he had reviewed all the transactions listed in that report. RP 553, 569-70, 588-89, 594, 618, 771.

### **D. Centeno Falsely Marks Exception Reports as Reviewed in Firm Records**

Centeno frequently failed to review exception reports on the day they were generated and often waited weeks, or even months, to mark exception reports as reviewed. *See, e.g.*, RP 434-37, 855-57, 865-66, 873-74, 899-901, 934-36. As discussed below, he later would falsely mark multiple exception reports as reviewed in batches at effectively the same time, or within minutes of each other.

#### **1. Centeno Marks Batches of Reports as Reviewed in eQube**

Centeno marked batches of exception reports as reviewed in eQube, often in abbreviated time frames that could not have allowed for his actual review of the transactions in those

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<sup>9</sup> *See Outcomes of Investing in OTC Stocks*, at 11.

<sup>10</sup> Canaccord generated the reports assigned to Centeno on a “T+1” basis—thus, each report listed trades from the previous day. RP 566, 586, 601-02, 617, 719.

reports.<sup>11</sup> For example, on May 6, 2019, Centeno logged into eQube at 9:48 a.m. and marked as reviewed seven Wash Sales Reports at 10:05 a.m., 18 Wash Sales Reports between 10:27 and 10:32 a.m., and 44 Marking-the-Open reports between 10:38 and 10:53 a.m. RP 955, 957. The Wash Sales Reports Centeno marked as reviewed on that date were generated in March and April 2019 and included 23,012 transactions in total, which would have required him more than 12 hours to review.<sup>12</sup> RP 955, 1784-86. The Marking-the-Open reports Centeno marked as reviewed on that date were generated in March, April, and May 2019 and included 16,953 transactions in total, which would have required him more than 141 hours to review.<sup>13</sup> RP 957, 1785-86. As another example, Centeno logged into eQube at 1:49 p.m. on June 18, 2019, and marked 13 FID4025 reports as reviewed between 1:55 and 1:58 p.m. RP 959. Those reports included 435 transactions in total that would have required Centeno more than 7 hours to

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<sup>11</sup> The eQube system automatically created an audit trail that identified each user and recorded with timestamps their login and logout activity, as well as when the user marked a report “reviewed” or made any notes in the system concerning a report. RP 372-73, 380, 392-97. Anytime a user took an action with respect to a report—such as marking it “reviewed” or adding a note—the system would record that action as a new record and add it to the audit trail. RP 380, 392-95. There is no indication in the record that Centeno printed or downloaded exception reports to review while not logged into eQube.

<sup>12</sup> FINRA’s Department of Enforcement (“Enforcement”) calculated that the 25 Wash Sales Reports Centeno marked as reviewed on May 6, 2019, contained 46,024 transactions. RP 955. In doing so, Enforcement counted the “buy” and “sell” legs of each potential wash sale as separate transactions. RP 469, 955. In its liability findings, the NAC halved this number to count each potential wash sale—including both the “buy” and “sell” legs—as a single transaction. RP 1784. Accordingly, the NAC found that Centeno marked as reviewed 23,012 potential wash sale transactions on May 6, 2019. RP 1784-85. Because each potential wash sale (including both the “buy” and “sell” legs) required Centeno at least two seconds to review, the 23,012 transactions included in the 25 Wash Sales Reports would have required him more than 12 hours to review. RP 571-76, 1785-86 & n.38.

<sup>13</sup> Because each transaction listed in the Marking-the-Open reports required Centeno at least 30 seconds to review, the 16,953 transactions included in the reports he marked as reviewed on May 6, 2019, would have required him more than 141 hours to review. RP 592.

review..<sup>14</sup> RP 959, 1788.

Centeno repeated this pattern—in brief time marking as reviewed batches of exception reports stored in eQube—with respect to hundreds of exception reports. RP 955-62, 1784-90. On four dates in 2019, he marked a total of 60 Wash Sales Reports as reviewed that included 56,587 transactions. RP 955-56, 1784-87. On five dates in 2019, he marked a total of 72 Marking-the-Open reports as reviewed that included 28,528 transactions. RP 957-58, 1784-87. On three dates in 2019, he marked a total of 44 FID4025 reports as reviewed that included 1,468 transactions..<sup>15</sup> RP 959-60, 1787-88. And, on two dates in 2019 and two dates in 2021, Centeno marked a total of 61 FID5023 reports as reviewed, which included a total of 3,004 transactions. RP 961-62, 1789-90. As discussed above, Centeno marked many of these reports as reviewed in timeframes that were a fraction of the time required to review the included transactions. RP 571-76, 592, 603-04, 955-62, 1784-88. Centeno does not dispute FINRA’s findings that he marked these reports as reviewed when, in fact, he did not actually review them..<sup>16</sup>

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<sup>14</sup> Because each transaction listed in the FID4025 reports required Centeno at least one minute to review, the 435 transactions included in the reports he marked as reviewed on June 18, 2019, would have required him more than 7 hours to review. RP 603-04.

<sup>15</sup> Enforcement alleged, and the Hearing Panel found, that Centeno falsely marked as reviewed a total of 53 FID4025 reports (including 1,717 transactions in total) on four dates in June and September 2019. RP 182-83, 1446-48. The NAC determined, however, that the preponderance of the evidence did not demonstrate that Centeno falsely marked a batch of nine FID4025 reports as reviewed on June 13, 2019. RP 1787-88. Accordingly, the NAC modified the Hearing Panel’s findings to exclude that batch of nine reports. RP 1788.

<sup>16</sup> FINRA based these findings on the audit trail data concerning the exception reports at issue, as well as on Centeno’s admissions at the hearing, his prior on-the-record testimony, and the circumstances surrounding his reviews of some of the exception reports. RP 1783-90.

## **2. Centeno Marks 137 Low Volume Reports as Reviewed**

Centeno was required to document his daily reviews of the Low Volume Reports in a spreadsheet called the Daily Compliance Checklist, which was stored on the trading compliance group's shared drive.<sup>17</sup> RP 214, 720-21. On or near September 1, 2021, Centeno's supervisor and Canaccord's chief compliance officer ("CCO") called Centeno and indicated that he should "start working [his] way" through any delinquent reviews of the Low Volume Reports. RP 730-31. At or around the same time, Centeno told his supervisor that he had reviewed the Low Volume Reports "sporadically," and his supervisor asked him to make certain that the Daily Compliance Checklist reflected the reviews he had completed.<sup>18</sup> RP 731-32. On September 1, 2021, shortly after his discussion with his supervisor and the CCO, Centeno accessed the Daily Compliance Checklist for the preceding year (2020) and added a column in which he entered his initials next to 137 of the 254 Low Volume Reports assigned to him for review that year.<sup>19</sup> RP 732-37, 746, 963-68, 1269. Centeno did so to keep his job by, after the fact, creating support for the statement he had made to his supervisor that he sporadically had reviewed Low Volume Reports. RP 733-35, 753.

### **E. Canaccord Investigates Centeno's Exception Report Reviews**

On September 3, 2021, Canaccord provided to FINRA a copy of the 2020 Daily Compliance Checklist. RP 1292-93. Subsequently, following its own internal investigation,

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<sup>17</sup> Canaccord maintained a separate Daily Compliance Checklist for each calendar year. RP 214, 721.

<sup>18</sup> It is unclear whether the exchange between Centeno and his supervisor took place during the telephone call with the CCO or during a separate conversation near the same time.

<sup>19</sup> Centeno had to add the column to enter his initials for the Low Volume Reports because he previously had never marked any reports on the checklist as reviewed. RP 733-34.

Canaccord advised FINRA staff that Centeno had modified the checklist shortly before the firm provided it to FINRA, and that Centeno did not actually perform the reviews that he had purported to document on the spreadsheet. RP 747-50, 1292-93.

During its internal investigation, Canaccord determined that Centeno also had failed to complete reviews for other types of exception reports, including the Marking-the-Open, Wash Sales, and FID5023 Reports, and that he had attempted to enter false information in the firm's records relating to his reviews of exception reports. RP 1275-76, 1284, 1309, 1320, 1329. Based on these findings, Canaccord terminated Centeno's employment with the firm effective September 30, 2021. RP 974, 1293, 1320. In a Uniform Termination Notice for Securities Industry Registration ("Form U5") filed with FINRA, Canaccord disclosed that Centeno was "under internal review for failing to complete assigned compliance reviews and the accuracy of related records" when the firm terminated his employment. RP 980.

#### **F. FINRA Investigates Centeno's Misconduct**

FINRA investigated Centeno's misconduct after Canaccord filed the Form U5. In response to information requests, Canaccord provided FINRA with information regarding its surveillance reviews for suspicious trading, including information concerning Centeno's failures to perform exception report reviews and possible entry of false information in firm records of those reviews. RP 1271-1330. During FINRA's investigation, Centeno also testified twice on the record before FINRA staff. RP 627, 722.

### III. PROCEDURAL HISTORY

#### A. FINRA Brings a Disciplinary Proceeding Against Centeno

FINRA Enforcement commenced a disciplinary proceeding against Centeno on October 20, 2023, when it filed a single-cause complaint alleging that he violated FINRA Rule 2010 by entering false information in Canaccord's records concerning his reviews of exception reports. RP 1-14. Specifically, the complaint alleged that, during 2019 and 2021, Centeno marked as reviewed a total of 383 exception reports that, in fact, he did not review.<sup>20</sup> RP 7-12. In his answer, Centeno requested a hearing to address this allegation. RP 129-37.

In his testimony before a FINRA Hearing Panel, Centeno admitted that he falsely marked as reviewed most of the exception reports on which Enforcement had based its allegations of his misconduct.<sup>21</sup> RP 584, 598, 614-15, 629-30, 726-30. He testified that many of the reports were too lengthy to review, that Canaccord staff failed to instruct him how to properly review the

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<sup>20</sup> The complaint specified that these reports included: 60 Wash Sales Reports; 72 Marking-the-Open Reports; 54 FID4025 Reports; 61 FID5023 Reports; and 137 Low Volume Reports. RP 7-12. In a prehearing brief, Enforcement corrected a clerical error in the complaint to reduce the number of alleged FID4025 reports to 53. RP 9, 171 n.1, 181-83.

<sup>21</sup> Centeno equivocated with respect to certain reports, testifying that he may have reviewed them or, in the case of the Low Volume Reports, that someone else may have entered his initials next to some of the reports at issue to mark them as reviewed. RP 609-13, 624-27, 736-43. He acknowledged, however, his prior on-the-record testimony that he did not review the relevant reports and that he personally entered his initials next to the Low Volume Reports to mark them as reviewed. RP 613, 624-27, 744-45, 753-54. On de novo review, the NAC found Centeno's equivocations incredible, explaining that his prior on-the-record testimony was more credible because it was provided closer in time to the relevant events and was more consistent with the eQube audit trail data, the metadata for the Daily Compliance Checklist, and the circumstances surrounding Centeno's determination to mark Low Volume Reports as reviewed on the Daily Compliance Checklist. RP 1788, 1790-91 & n.44. Centeno does not challenge the NAC's credibility findings on appeal. *See* 17 C.F.R. § 201.420(c) (providing that an application for review "shall identify the determination complained of and set forth in summary form a brief statement of the alleged errors in the determination and supporting reasons therefor").

reports, and that he did not fully understand what he should look for when evaluating the transactions in the reports. RP 567, 588-91, 600-01, 729-30, 743.

### **B. The Hearing Panel's Decision**

On August 28, 2024, the Hearing Panel issued a decision finding Centeno liable for the misconduct that Enforcement had alleged and, for this misconduct, imposing a 12-month suspension in all capacities and a \$10,00 fine.<sup>22</sup> RP 1431-63.

### **C. The NAC Affirms the Hearing Panel's Findings and Sanctions**

Centeno appealed the Hearing Panel's decision to the NAC.<sup>23</sup> RP 1465-67. On de novo review, in a September 30, 2025 decision, the NAC affirmed the Hearing Panel's findings of liability, with modifications, and affirmed the sanctions the Hearing Panel imposed.<sup>24</sup> RP 1770-96. The NAC determined that Centeno's misconduct was predominated by aggravating factors, including the substantial number of records at issue, the importance of those records to the firm's regulatory compliance, the extended period and pattern of the misconduct, the intentional nature of Centeno's actions, and his reluctance to accept full responsibility. RP 1793-95. Considering

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<sup>22</sup> The Hearing Panel applied the FINRA Sanction Guidelines ("Guidelines") for recordkeeping violations, finding this to be the most analogous Guideline for Centeno's misconduct. RP 1458; *FINRA Sanction Guidelines* (March 2024), at 1, 40, [https://www.finra.org/sites/default/files/Sanctions\\_Guidelines.pdf](https://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf).

<sup>23</sup> Centeno requested oral argument before a subcommittee of the NAC, but he failed to appear after FINRA notified him, on multiple occasions, of the time and place of the argument. RP 1465, 1515-16, 1567-84, 1587, 1591, 1782. Thus, in accordance with FINRA Rule 9342, Centeno was deemed to have waived the opportunity for oral argument, and the NAC considered the matter based on the record, the parties' briefs, and the oral argument presented by Enforcement. RP 1593, 1597-99, 1782.

<sup>24</sup> As noted above, *supra* at n.12 & n.15, the NAC modified the Hearing Panel's findings to exclude one batch of FID4025 reports and halve the number of wash sales transactions at issue. RP 1784, 1788.

these factors, as well as the nature of Centeno's misconduct and the applicable Guidelines, the NAC concluded that a 12-month suspension in all capacities and \$10,000 fine are appropriate to prevent a recurrence of Centeno's misconduct and to deter others from engaging in similar misconduct.<sup>25</sup> RP 1795.

Centeno timely appealed FINRA's decision to the Commission. RP 1801-02.

#### **IV. ARGUMENT**

##### **A. Centeno Violated FINRA Rule 2010 by Falsely Marking Exception Reports as Reviewed**

Centeno does not dispute FINRA's findings that he entered false information in firm records concerning his reviews of exception reports, and that this conduct violated FINRA Rule 2010. *See generally* Centeno Opening Brief; RP 1791-92.<sup>26</sup> Because Centeno does not challenge these findings, the Commission should affirm them. *See* 17 C.F.R. § 201.420(c).

Nevertheless, FINRA briefly addresses Centeno's liability for this violation because the nature of his misconduct provides a basis for discussing the sanctions imposed.

FINRA Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."<sup>27</sup> For conduct to violate Rule 2010, it must be business-related and unethical or in bad faith. *See Blair Alexander West*, Exchange Act Release No. 74030, 2015 SEC LEXIS 102, at \*19-20 (Jan. 9, 2015), *aff'd*,

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<sup>25</sup> Like the Hearing Panel, the NAC applied the Guidelines for recordkeeping violations. RP 1792-93.

<sup>26</sup> "Centeno Opening Brief" refers to the Respondent's Opening Brief, marked as received by the Commission on January 29, 2026.

<sup>27</sup> FINRA Rule 0140 provides that FINRA rules apply with equal force to member firms and associated persons. Thus, an associated person violates FINRA Rule 2010 when he or she engages in unethical conduct.

641 F. App'x 27 (2d Cir. 2016). “The Commission has long held that this standard encompasses misconduct that raises doubts about the integrity of market participants and their ability to comply with regulatory requirements.” *Matthew R. Logan*, Exchange Act Release No. 99867, 2024 SEC LEXIS 753, at \*11 (Mar. 29, 2024) (observing that “providing misleading and inaccurate information to an employer” violates FINRA Rule 2010), *aff'd*, No. 24-1095, 2024 U.S. App. LEXIS 32802 (D.C. Cir. Dec. 27, 2024). As the Commission and FINRA have each recognized, an associated person violates just and equitable principles of trade when he or she enters false information in his or her employing firm’s records, as this act is inconsistent with the “basic requirement” to maintain the accuracy of records that are a predicate to regulatory oversight. *Charles E. Kautz*, 52 S.E.C. 730, 734 (1996); *Dep’t of Enf’t v. Cohen*, Complaint No. EAF0400630001, 2010 FINRA Discip. LEXIS 12, at \*36-37 (FINRA NAC Aug. 18, 2010) (“Entering inaccurate information into a member firm’s books or records violates [the] requirement to comply with high standards of commercial honor and just and equitable principles of trade”).

The undisputed facts demonstrate that Centeno acted inconsistently with the high standards of commercial honor and just and equitable principles of trade by which he was bound as a securities industry professional. He falsely marked exception reports as reviewed in Canaccord’s records and knew that, in doing so, he was misrepresenting that he had reviewed the transactions in those reports when, in fact, he had not. RP 553, 584, 569-70, 588-89, 594, 598, 614-15, 618, 629-30, 726-30, 743, 771, 955-62, 1784-90. Canaccord relied on staff reviews of those transactions to meet its regulatory requirements, including its requirement to monitor for potential manipulative trading. RP 213-14, 564-65, 585-86, 599, 616-17, 718-19. By making false entries in firm records concerning his purported reviews of those transactions, Centeno

elevated expedience and self-interest over his and his firm’s fundamental obligation to maintain accurate records. *See Kautz*, 52 S.E.C. at 734; *see also Edward S. Brokaw*, Exchange Act Release No. 70883, 2013 SEC LEXIS 3583, at \*35 (Nov. 15, 2013) (observing that recordkeeping requirements are “fundamental” for those “who wish to engage in the securities business”) (internal quotation omitted). His conduct inherently demonstrated dishonesty and a willingness to flout regulatory requirements—leaving no doubt he violated FINRA Rule 2010. *See Logan*, 2024 SEC LEXIS 753, at \*11.

**B. The Suspension and Fine Are Appropriately Remedial**

The Commission should affirm the suspension and fine FINRA imposed. Section 19(e)(2) of the Exchange Act provides that the Commission may eliminate, reduce, or alter a sanction if it finds the sanction is excessive, oppressive, or imposes a burden on competition not necessary or appropriate to further the purposes of the Exchange Act. *Wedbush Sec., Inc.*, Exchange Act Release No. 78568, 2016 SEC LEXIS 2794, at \*43 (Aug. 12, 2016), *aff’d*, 719 F. App’x 724 (9th Cir. 2018). To determine whether a sanction is excessive or oppressive, the Commission considers whether it serves a remedial purpose by protecting investors and the public interest. *John M.E. Saad*, Exchange Act Release No. 86751, 2019 SEC LEXIS 2216, at \*10-11 (Aug. 23, 2019) (explaining that FINRA may impose sanctions for a remedial purpose), *aff’d*, 980 F.3d 103 (D.C. Cir. 2020). In making this determination, the Commission considers whether the sanction is consistent with FINRA’s Sanction Guidelines. *Wedbush Sec.*, 2016 SEC LEXIS 2794, at \*43 (stating that although the Guidelines are not binding on the Commission, they serve as a benchmark in the Commission’s review).

The 12-month suspension and \$10,000 fine FINRA imposed for Centeno’s misconduct are neither excessive nor oppressive.<sup>28</sup> These sanctions are consistent with the analogous Guidelines addressing recordkeeping violations, which recommend consideration of a suspension in any or all capacities from ten business days to three months or, when aggravating factors predominate, of up to two years or a bar.<sup>29</sup> *Guidelines*, at 91; *Wedbush Sec.*, 2016 SEC LEXIS 2794, at \*43. The Guidelines also recommend a fine ranging from \$2,500 to \$40,000. *Guidelines*, at 91.

Here, aggravating factors predominate. Centeno’s misconduct affected a substantial number of firm records, as he falsely marked as reviewed a total of 374 exception reports including more than 50,000 transactions. RP 955-62, 963-68, 1791-93; *Guidelines*, at 91 (a principal consideration is the “number of records at issue”). His review of these exception reports was important to the firm’s regulatory compliance, including its obligations to monitor for manipulative trading, comply with Regulation NMS, and ensure that it was accurately recording and reporting the trades that it executed for its customers. RP 213-14, 564-65, 585-86, 599, 616-17, 718-19; *Guidelines*, at 91 (principal considerations include the type of records at issue). Moreover, Centeno’s misconduct created the potential for other misconduct to go

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<sup>28</sup> Centeno does not assert, and the record does not demonstrate, that the suspension or fine imposes an unnecessary or inappropriate burden on competition.

<sup>29</sup> *Guidelines*, at 1 (“For violations that are not addressed specifically, Adjudicators are encouraged to look to the guidelines for analogous violations.”) The NAC acknowledged that the Guidelines for falsification of records also are analogous, *Guidelines* at 97, but found that the Guidelines for recordkeeping violations adequately addresses Centeno’s misconduct and therefore saw no reason to apply different Guidelines than the Hearing Panel. RP 1793. In any event, the Guidelines for falsification of records provide a similar range of sanctions: a fine of \$5,000 to \$40,000 and, when aggravating factors predominate, a suspension of six months to two years or a bar. *Guidelines* at 97.

undetected. *Guidelines*, at 91 (principal considerations include the materiality of the inaccurate information and whether the violations allowed other misconduct to escape detection). By falsely marking exception reports as reviewed in Canaccord's records, Centeno represented that he had reviewed the included transactions for possible manipulative trading and other regulatory violations when, in fact, he had conducted no such review. RP 213-14, 565-66, 585-86, 599, 616-17, 718-19, 770-71. Exacerbating this concern, the reports at issue included transactions in thinly traded securities, which can be susceptible to manipulation. RP 214, 718-19; *Outcomes of Investing in OTC Stocks*, at 11.

The duration and determination of Centeno's actions further aggravate his misconduct. *Guidelines*, at 91 (principal considerations include the period at issue, whether a pattern of misconduct was involved, and whether the inaccurate information was entered negligently, recklessly, or intentionally). Centeno's misconduct spanned multiple years and involved a pattern of making false entries in firm records. RP 955-68, 1784-91, 1793-94. This pattern was intentional. Centeno knew that Cannacord expected him to review all the transactions in the exception reports, and that he was falsely representing that he had done so when he marked the exception reports at issue as reviewed. RP 553, 569-70, 588-89, 594, 618, 771. In at least one instance, he engaged in this conduct for the specific purpose of creating for his supervisors a false appearance that he sporadically had reviewed exception reports. RP 730-37, 1790-91.

Furthermore, considering the nature of Centeno's misconduct and his reluctance to take responsibility for it, FINRA's sanctions are undeniably remedial. By falsifying records important to surveillance for market manipulation and other regulatory violations, Centeno acted inconsistently with the Exchange Act's goals of protecting investors and the public interest. *See* 15 U.S.C. § 78b (stating that the Exchange Act's goals include protecting the public interest by

“insur[ing] the maintenance of fair and honest markets”); *Fox & Co. Inv., Inc.*, 58 S.E.C. 873, 892-93, 897 (2005) (by causing his firm to maintain inaccurate records, the respondent violated the Exchange Act’s and FINRA’s recordkeeping requirements, which provide a “fundamental safeguard” for the investing public). Both a suspension and a fine are therefore necessary to impress upon him the seriousness of his actions and his role in the securities industry. Centeno further demonstrated the necessity of these sanctions during his hearing testimony, in which he cast blame for his misconduct on other Canaccord staff. RP 589-91, 729-30, 776-79. His reluctance to accept responsibility for his misconduct indicates a higher risk that he may repeat it, underscoring the need for sanctions that will ensure he takes seriously his responsibilities as a securities professional. *See James Gerard O’Callaghan*, Exchange Act Release No. 61134, 2009 SEC LEXIS 4167, at \*16 (Dec. 10, 2009) (observing that the applicant’s “failure to accept responsibility and to recognize the wrongfulness of his conduct suggests a troubling lack of appreciation for the responsibilities of a securities professional that further indicates a potential for repetition”).

Under the circumstances, suspending Centeno from associating with any FINRA member in any capacity for 12 months and fining him \$10,000 are appropriately remedial sanctions. Centeno’s misconduct involved dishonesty and disregard for the fundamental recordkeeping obligations of a securities professional, and it was predominated by aggravating factors—including the number and type of records at issue, the materiality of the inaccurate information he entered in firm records, the length and pattern of his misconduct, and the intentional nature of that misconduct. *Guidelines*, at 91. FINRA’s sanctions are consistent with the Guidelines, properly reflect the aggravating factors, and will serve the remedial purposes of preventing recurrence of the misconduct and deterring others from engaging in similar misconduct. RP

1792-95. The suspension and fine together will emphasize the importance of compliance, ensure that Centeno reflects upon his conduct and responsibilities as a professional in the securities industry, and deter others from engaging in similar misconduct. *See Sisung Sec. Corp.*, Exchange Act Release No. 56741, 2007 SEC LEXIS 2562, at \*33 (Nov. 5, 2007) (explaining that “the ability to impose fines for securities law violations greatly increase[s] deterrence, while also providing the flexibility to tailor a remedy to the gravity of a violation”) (internal quotation and alteration omitted). Consequently, the Commission should affirm the sanctions. 15 U.S.C. §§ 78s(e)(1)-(2).

### **C. Centeno’s Arguments Lack Merit**

Centeno’s arguments that the sanctions are excessive lack merit. As he did before the NAC, Centeno contends that the suspension and fine are excessive as compared to sanctions imposed in various settled disciplinary cases. Centeno Opening Brief, unnumbered at 2-20.<sup>30</sup> But as the Commission long has recognized, comparisons to sanctions in settled matters are inappropriate. *Newport Coast Sec., Inc.*, Exchange Act Release No. 88548, 2020 SEC LEXIS 917, at \*34 (Apr. 3, 2020) (“We have observed repeatedly that comparisons to sanctions in settled cases are inappropriate.”) (internal quotation omitted). Notably, “pragmatic considerations such as the avoidance of time-and-manpower-consuming adversary proceedings justify imposing lower sanctions in negotiating a settlement.” *William Scholander*, Exchange Act Release No. 77492, 2016 SEC LEXIS 1209, at \*43 (Mar. 31, 2016) (internal quotation omitted), *aff’d sub nom. Harris v. SEC*, 712 F. App’x 46 (2nd Cir. 2017). Moreover, “the appropriate sanction depends on the facts and circumstances of each particular case and cannot

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<sup>30</sup> In citing to Centeno’s opening brief, FINRA refers to the page following the table of contents as the first page.

be precisely determined by comparison with the action taken in other proceedings.” *Kimberley Springsteen-Abbott*, Exchange Act Release No. 88156, 2020 SEC LEXIS 2684, at \*39 (Feb. 7, 2020), *aff’d*, 989 F.3d 4 (D.C. Cir. 2021). Here, FINRA imposed sanctions based on its consideration of the particular facts before it, the applicable Guidelines, and the need for investor protection—as required by Commission precedent and the Exchange Act. RP 1792-95; *Springsteen-Abbott*, 2020 SEC LEXIS 2684, at \*39; *Wedbush Sec.*, 2016 SEC LEXIS 2794, at \*43; *Saad*, 2019 SEC LEXIS 2216, at \*10-11; 15 U.S.C. § 78s(e).

While Centeno asserts that his misconduct did not profit him financially, this argument also falls flat. Centeno Opening Brief, unnumbered at 2. Even if this assertion were accurate, the absence of monetary gain is not a mitigating factor. *Howard Braff*, Exchange Act Release No. 66467, 2012 SEC LEXIS 620, at \*26 & n.25 (Feb. 24, 2012). Moreover, Centeno admitted that, in at least one instance, he falsely marked exception reports as reviewed to maintain his employment—in which he clearly had a financial interest. RP 730-37.

Finally, Centeno argues that the Hearing Panel erred by suggesting that his sanctions should be harsher because he served in a compliance role at the time of the misconduct, and that the NAC failed to consider this purported error in its decision. Centeno Opening Brief, unnumbered at 20-21. But the NAC imposed sanctions de novo, rendering immaterial any arguable error the Hearing Panel may have made in assessing sanctions. RP 1792-95; *see Dep’t of Enf’t v. Erenstein*, Complaint No. C9B040080, 2006 NASD Discip. LEXIS 31, at \*10 (NASD NAC Dec. 18, 2006) (the NAC’s de novo review “cures any drafting deficiencies or errors that may exist in the Hearing Panel decision”), *aff’d*, Exchange Act Release No. 56768, 2007 SEC LEXIS 2596, (Nov. 8, 2007), *aff’d*, 316 F. App’x 865 (11th Cir. 2008). Moreover, it is the NAC’s decision that is before the Commission on review, and Centeno does not assert that the

NAC treated as aggravating his status as a member of Canaccord's compliance staff.<sup>31</sup>  
*Erenstein*, 2007 SEC LEXIS 2596, at \*27 (“[I]t is the decision of the NAC, not the decision of the Hearing Panel, that is the final action of [FINRA] which is subject to Commission review.”) (internal quotation omitted); 17 C.F.R. § 201.420(c). Accordingly, the Commission should dismiss his argument as irrelevant.

In sum, Centeno's arguments do not undermine the sound reasoning supporting the sanctions that FINRA imposed on him, and the Commission should thus reject them.

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<sup>31</sup> Even if Centeno were to raise such an argument, it would lack merit. While the NAC noted Centeno's current employment as a compliance officer at another firm, it did so only in explaining that a remedial purpose is served by impressing upon Centeno the seriousness of his misconduct so that he does not repeat it. RP 1794. The NAC did not treat as aggravating the fact that Centeno was a member of Canaccord's compliance staff at the time of the misconduct. RP 1792-95.

## V. CONCLUSION

Centeno repeatedly and intentionally entered false information in his employing firm's records to reflect that he had reviewed hundreds of exception reports when, in fact, he had not done so. His misconduct demonstrated dishonesty and a disregard for his obligations as a securities professional, and it involved many exception reports that were important to his firm's regulatory responsibilities. The suspension and fine FINRA imposed are consistent with the nature of the misconduct, the applicable Guidelines, the multiple aggravating factors that predominate in this case, and the need to protect investors and the public interest. Therefore, the Commission should affirm those sanctions and dismiss the application for review.

Respectfully submitted,

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March 6, 2026

**CERTIFICATE OF COMPLIANCE**

I, Ashley Martin, certify that:

- (1) this Brief in Opposition to the Application for Review complies with the limitation set forth in SEC Rule of Practice 154(c). I have relied on the word count feature of Microsoft Word in verifying that this brief contains 6,510 words.
- (2) FINRA's Brief in Opposition to the Application for Review complies with SEC Rule of Practice 151(e) because it omits or redacts any sensitive personal information.

Respectfully Submitted,

*/s Ashley Martin*

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Dated: March 6, 2026

**CERTIFICATE OF SERVICE**

I, Ashley Martin, certify that on this 6th day of March 2026, I caused a copy of FINRA's Brief in Opposition to the Application for Review, in the matter of Jose L. Centeno, Administrative Proceeding File No. 3-22557, to be filed through the SEC's eFAP system.

And served by electronic mail on:

Jose L. Centeno



Respectfully Submitted,

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