BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

In the Matter of the Application of
BRIAN MICHAEL STERZ
Applicant,

For Review of Action Taken by
FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.

Application for Review
Pursuant to Section 19(d) of the
Securities Exchange Act of 1934
(15 U.S.C. § 78s(d)(2))

Date Submitted: April 8, 2026

APPLICANT'S RESPONSE TO FINRA'S NOTICE OF DENIAL OF APPLICANT'S REQUEST FOR RECONSIDERATION

Applicant Brian Michael Sterz respectfully responds to FINRA's April 7, 2026 Notice of Denial of Applicant's Request for Reconsideration ("Notice"). The Notice introduces FINRA's final action in the underlying proceeding, a new legal citation (*Sparks*), and a reserved jurisdictional argument—each of which bears on the Commission's consideration of FINRA's pending Motion to Dismiss. Applicant addresses each in turn and brings to the Commission's attention supplemental developments relevant to both the Motion and the underlying Application for Review.

I. THE APPLICATION IS NOW UNCONDITIONAL

On April 6, 2026, FINRA's Executive Vice President of Dispute Resolution Services denied Applicant's Request for Reconsideration and Supplemental Submission. Notice, Exhibit A. This is FINRA's final action. No further FINRA remedies exist. The conditional filing language in the Application ("Should FINRA grant reconsideration, Applicant will promptly withdraw this Application") is moot. Applicant states for the record that the Application for Review is now unconditional.

FINRA's primary basis for dismissal—that reconsideration was still pending and the Application was premature—is eliminated. The Notice itself confirms finality: "The Reconsideration Denial is FINRA's final action in the underlying proceeding." Notice at 1. Exhaustion is complete.

The Commission's own conduct in this proceeding is consistent with proceeding to the merits. On April 2, 2026, the Commission issued Release No. 105148 extending FINRA's certified record filing deadline—an order that contemplates a proceeding on the

merits, not dismissal. The Commission has considered three prior Section 19(d) applications involving expungement forum denials—*Couyoumjian*, *Nicholson*, and *Sturniolo*—and set aside the denial unanimously in each. It has never upheld a forum denial in this context.

II. SPARKS IS DISTINGUISHABLE

Footnote 1 of the Notice invites the Commission to treat the reconsideration denial as support for dismissal, citing *Michael A. Sparks*, Exchange Act Release No. 81787 (Sep. 29, 2017). In *Sparks*, the Commission dismissed an application for review because the applicant had failed to exhaust administrative remedies—specifically, by not requesting a hearing before FINRA's Office of Hearing Officers. *Id.* at *2.

The present case is the opposite of *Sparks*. Applicant filed a Request for Reconsideration on February 24, 2026—one day after the Denial. Applicant filed a Supplemental Submission on February 27, 2026. Both were filed within the 30-day window identified by FINRA's own Senior Case Administrator. Both have now been denied. Applicant has exhausted every remedy FINRA offers. *Sparks* supports dismissal for failure to exhaust; it does not support dismissal after completed exhaustion. The Notice confirms that the predicate for Commission review under Section 19(d)(2) is satisfied, not that it is absent.

III. THE RECONSIDERATION DENIAL IS INDEPENDENTLY REVIEWABLE

The Director's reconsideration denial introduces new language not present in the original February 23, 2026 Denial: "FINRA rules do not contemplate expungement of this type of disclosure." Notice, Exhibit A (emphasis added). This is a categorical rule interpretation—an assertion that the expungement framework excludes IAR-capacity disclosures entirely, regardless of the underlying facts.

This assertion contradicts the text of FINRA Rules 13805, 2080, and 12805, all of which authorize expungement by an "associated person" without capacity limitation. It contradicts the Commission's holding in *Sturniolo* that Rule 2080 "contains no such limitation" beyond its text. Exchange Act Rel. No. 34-104114, at 4 (Sep. 29, 2025). And it raises a question the Director has not addressed: if FINRA's rules do not contemplate review of these disclosures, did they contemplate the proceedings that created them? FINRA accepted, administered, and resolved the eleven customer disputes that generated these CRD entries—all at a FINRA member firm, all through FINRA's Code of Arbitration Procedure, all producing settlements totaling $5,366,980. FINRA itself granted a $2,000 fee waiver for this filing on November 21, 2025—an act inconsistent

with the Director's subsequent assertion that FINRA's rules do not contemplate the proceeding. A framework that claims jurisdiction to create disclosures while disclaiming jurisdiction to review their accuracy is not a jurisdictional limitation—it is a one-directional regulatory trap with no exit.

IV. THE PERMANENT FORUM VACUUM — WITH NEW EVIDENCE

Since the filing of this Application, three former customers have submitted confirmatory documents reaffirming their positions after the Denial. These documents are filed in the FINRA DR Portal (Case No. 25-02270) but have not previously been presented to the Commission:

Exhibit 1: Linnan Renewed Non-Opposition Confirmation (DocuSign authenticated, April 1, 2026)

Exhibit 2: Schwartz Renewed Non-Opposition Confirmation (DocuSign authenticated, April 1, 2026)

Exhibit 3: Shapiro §1542 Confirmatory Statement (March 31, 2026)

Exhibit 3 is of particular significance. Sallie Shapiro—the customer whose elder abuse allegations under California Welfare and Institutions Code Section 15610 constitute the most serious disclosures on Applicant's CRD—executed a mutual release with an explicit California Civil Code Section 1542 waiver rescinding all claims, known and unknown. Exhibit 3 confirms two facts: (1) Ms. Shapiro views continued CRD maintenance of rescinded allegations as legally inconsistent with the executed release; and (2) the California Department of Financial Protection and Innovation did not consult Ms. Shapiro before filing its February 6, 2026 letter requesting dismissal of the expungement proceeding.

FINRA's categorical position permanently overrides California Civil Code Section 1542 waivers executed by the affected customers—the investors the Commission's mission requires protecting. The customers who rescinded their claims cannot obtain relief for the person they released. The person who was released cannot obtain review. No forum exists: FINRA says its rules "do not contemplate" review; DFPI confirmed it offers no expungement process; state courts require a predicate FINRA arbitration award that cannot issue without forum access; and the Commission has no direct CRD modification authority. FINRA has not addressed Section 1542 in any filing—neither the Director's two denial letters, nor FINRA's Motion to Dismiss, nor the April 7 Notice, nor the

respondent firm's March 9 reconsideration response engages with this argument. It is entirely uncontested.

The post-Denial confirmations are not merely evidence of customer alignment—they reflect the ongoing disruption to former customers who achieved finality through settlement and release, and who have been compelled to re-engage with a proceeding that FINRA's own rules should have resolved. The Director's reconsideration denial—served on all eleven former customers, three arbitrators, and the DFPI Observer—extends that disruption indefinitely. These customers settled their disputes, executed releases, and moved on. The forum denial has drawn them back into a multi-forum regulatory proceeding they had no role in creating and no ability to resolve.

V. THE REGULATORY GAP IS WIDENING

On April 3, 2026—three days before the Director's final denial—DFPI published modified proposed regulations under PRO 05-17, including removal of the catch-all unfair practices provision at California Code of Regulations Section 260.238(u) and amendments to Form U5/CRD termination filing requirements at Section 260.210. The comment period closes April 20, 2026. On April 8, 2026, Applicant submitted a public comment to DFPI identifying the regulatory gap created by the concurrent removal of the catch-all provision and FINRA's categorical denial of IAR-capacity expungement forum access.

FINRA's position directs IAR-capacity persons toward the state regulatory framework. That framework is simultaneously narrowing. DFPI offers no CRD expungement or correction process and is not creating one. Neither regulatory body has acknowledged the other's concurrent action or its combined effect. The result is that no regulatory body—FINRA, DFPI, the SEC, or state courts—assumes responsibility for the accuracy of IAR-capacity CRD disclosures generated by FINRA proceedings at dually-registered FINRA member firms. The Commission is the sole remaining point in the regulatory architecture where this accountability gap can be closed—not by ordering expungement directly, but by directing FINRA to reopen the only pathway that leads to a reviewable outcome.

VI. THE JURISDICTIONAL RESERVATION IS FORECLOSED

Footnote 2 of the Notice reserves FINRA's right to argue "that the Commission lacks jurisdiction under the Exchange Act Section 19(d) to review FINRA's action." Three unanimous Commission opinions—*Couyoumjian* (Rel. 34-97179), *Nicholson* (Rel. 34-97604), and *Sturniolo* (Rel. 34-104114)—have established that forum denials in customer

dispute expungement cases are reviewable under Section 19(d). All three opinions were unanimous. The most recent was decided six months ago by the same Commissioners who will decide this Application. The reservation is inconsistent with settled Commission precedent and should be disregarded.

VII. CONCLUSION

The former customers whose disputes generated these CRD disclosures have spoken clearly. Two executed the most comprehensive release California law provides. One's counsel dismissed the Applicant without prejudice. Three re-confirmed their positions after the Denial. The customer whose elder abuse allegations are the most serious disclosures on the CRD has stated that continued maintenance is inconsistent with her executed Section 1542 release and that DFPI never consulted her. These customers achieved finality through settlement—the forum denial has unsettled that finality and compelled their continued engagement with a proceeding FINRA's own rules should have resolved.

Applicant continues to bear the full weight of eleven CRD disclosures—including rescinded elder abuse allegations—that his former employer disavowed under oath, that two customers rescinded under Section 1542, and in which he was unnamed in eight of eleven matters and contributed $0.00 to $5,366,980 in settlements. Each month of proceedings consumed by the forum denial and its aftermath moves the earliest CRD occurrences closer to the outer boundary of the six-year eligibility window under FINRA Rule 8312(b), consuming irreplaceable time within a finite regulatory framework.

The Director's reconsideration denial confirms exhaustion, introduces a reviewable categorical rule interpretation, and eliminates FINRA's primary basis for dismissal. The regulatory gap between FINRA and DFPI is widening concurrently, not narrowing. The Commission is the sole remaining backstop for CRD accuracy in this regulatory architecture. Applicant respectfully requests that the Commission deny FINRA's Motion to Dismiss and proceed to the merits of the Application for Review.

Respectfully submitted,
Dated: April 8, 2026

[redacted]

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