

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2018056483902**

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

RE: Mirsad A. Muharemovic (Respondent)  
Former General Securities Representative  
CRD No. 3122589

Pursuant to FINRA Rule 9216, Respondent Mirsad A. Muharemovic submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Muharemovic first became registered with FINRA in 1998. Muharemovic was registered as a General Securities Representative through his association with Arive Capital Markets between June 2016 and November 2022. Arive filed a Uniform Termination Notice for Securities Industry Registration terminating Muharemovic's registration on November 16, 2022.

Muharemovic is not currently registered or associated with a FINRA member firm. He remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

**OVERVIEW**

Between August 2016 and March 2019, Muharemovic excessively and unsuitably traded two customers' accounts, in violation of FINRA Rules 2111 and 2010.

**FACTS AND VIOLATIVE CONDUCT**

This matter originated from FINRA's 2018 cycle exam of Arive Capital Markets.

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<sup>1</sup> For more information about the respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

FINRA Rule 2111(a) requires in pertinent part that member firms and their associated persons “have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.” FINRA Rule 2111 Supplementary Material .05 (Rule 2111.05) defines the “quantitative suitability” obligation, which requires a member or associated person who has actual or de facto control over trading in a customer account “to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer’s investment profile.”

Rule 2111.05(c) states that “[n]o single test defines when trading is excessive, but factors such as the turnover rate and the cost-to-equity ratio, and the use of in-and-out trading in a customer’s account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.” Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account has to appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. A turnover rate of six or a cost-to-equity ratio above 20 percent generally indicates that an account has been excessively traded.

FINRA Rule 2010 requires that all members, in the conduct of their business, “shall observe high standards of commercial honor and just and equitable principles of trade.”

Between August 2016 and March 2019, while he was registered through Arive, Muharemovic engaged in excessive and unsuitable trading, including using margin, in the accounts of Customers A and B.

Customer A is a 64-year-old construction business owner from Colorado. Between August 2016 and July 2018, Muharemovic recommended that Customer A place 101 trades in his account—nearly all of which were executed using margin—and Customer A routinely accepted Muharemovic’s recommendations. Although Customer A’s account had an average month-end equity of approximately \$126,702 for 24 months, Muharemovic recommended purchases with a total principal value of \$3,736,956, which resulted in an annualized turnover rate in the account of 14.75. This trading resulted in an annualized cost-to-equity ratio of 54.18 percent—meaning Customer A’s investments had to grow by 54.18 percent just to break even. As a result of Muharemovic’s unsuitable recommendations, Customer A had a loss of approximately \$185,966. Collectively, the trades that Muharemovic recommended caused Customer A to pay approximately \$119,061 in commissions and fees and another \$18,244 in margin interest for a total of approximately \$137,305.

Customer B was a construction business owner from Virginia who was 74 years old when his first account was opened at Arive. During the relevant period, Muharemovic engaged in excessive trading in two accounts Customer B held at Arive. Between October 2016 and January 2019, Muharemovic recommended that Customer B place 29 trades—most of which were executed using margin—in the first account, and Customer B routinely

accepted Muharemovic's recommendations. Although Customer B's first account had an average month-end equity of approximately \$24,570 for 28 months, Muharemovic recommended purchases with a total principal value of approximately \$1,103,916, which resulted in an annualized turnover rate in the account of 19.26. This trading in the first account resulted in a cost-to-equity ratio of 74.25 percent—meaning Customer B's investments had to grow by 74.25 percent just to break even. Between December 2017 and March 2019, Muharemovic recommended that Customer B place 35 trades—all of which were executed using margin—in the second account, and Customer B routinely accepted Muharemovic's recommendations. Although this second account had an average month-end equity of approximately \$79,113 for 16 months, Muharemovic recommended purchases with a total principal value of approximately \$602,038, which resulted in an annualized turnover rate in the account of 5.71. This trading in the second account resulted in an annualized cost-to-equity ratio of 30.12 percent—meaning Customer B's investments had to grow by 30.12 percent just to break even. As a result of Muharemovic's unsuitable recommendations, Customer B had a loss in this second account of approximately \$51,857. Collectively, the trades that Muharemovic recommended in the two accounts caused Customer B to pay approximately \$64,658 in commissions and fees and another \$9,680 in margin interest for a total of approximately \$74,338.

Muharemovic's recommended securities transactions in the accounts of Customers A and B were excessive and unsuitable. Therefore, Muharemovic violated FINRA Rules 2111 and 2010.

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

- a nine-month suspension from associating with any FINRA member in all capacities;
- a \$5,000 fine; and
- restitution of \$211,643 plus interest as described below.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$211,643, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from August 2016 until the date the restitution plus interest are due and payable.

Restitution plus interest ordered pursuant to this disciplinary action are due and payable immediately upon reassociation with a member firm or upon submission of any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent shall submit satisfactory proof of payment of restitution and interest (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date the restitution plus interest are due and payable.

The restitution amount plus interest to be paid to each Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 120 days after the restitution and interest are due and payable, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. See FINRA Rules 8310 and 8311.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### **III.**

#### **OTHER MATTERS**

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

November 20, 2022

\_\_\_\_\_  
Date

*Mirsad A. Muharemovic*

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Mirsad A. Muharemovic  
Respondent

Reviewed by:

*SCOTT HOLCOMB*

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Scott Holcomb  
Counsel for Respondent  
Holcomb + Ward, LLP  
3455 Peachtree Road NE, Suite 500  
Atlanta, Georgia 30326

Accepted by FINRA:

December 7, 2022

\_\_\_\_\_  
Date

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

*Michael P. Morrissey*

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Michael P. Morrissey  
Principal Counsel  
FINRA  
Department of Enforcement  
581 Main Street, 7th Floor  
Woodbridge, NJ 07095

**ATTACHMENT A**  
**TO LETTER OF ACCEPTANCE, WAIVER, AND CONSENT**  
**MATTER NO. 2018056483902**

Customer A: [REDACTED] .....\$137,305

Customer B: [REDACTED] .....\$74,338