

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069365001**

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

RE: Long Island Financial Group, Inc. (Respondent)
Member Firm
CRD No. 31148

Pursuant to FINRA Rule 9216, Respondent Long Island Financial Group, Inc. (LIFG) 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

LIFG became a FINRA member firm in 1993. The firm is in Long Island, New York, and has five registered representatives. The firm provides services to retail customers, focusing on sales of equities, mutual funds, and variable annuities.¹

OVERVIEW

Since June 30, 2020, LIFG has failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Exchange Act Rule 15c-1 (Regulation Best Interest or Reg BI). Additionally, LIFG failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with Reg BI. As a result, LIFG violated Exchange Act Rule 15c-1 and FINRA Rules 3110 and 2010.

During this period, LIFG also failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with Exchange Act Rule 17a-14 obligations to prepare, file, and deliver its Form CRS. As a result, LIFG violated FINRA Rules 3110 and 2010.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the firm's 2021 cycle examination.

LIFG Failed to Have Written Policies and Procedures, and a Supervisory System, Reasonably Designed to Achieve Compliance with Regulation Best Interest

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI under the Securities Exchange Act of 1934. Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer.

Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of that firm's operations and how to design such policies and procedures to prevent violations from occurring, to detect violations that have occurred, and to correct promptly any violations that have occurred.

Additionally, Reg BI's Conflict of Interest Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iii), requires broker-dealers to establish, maintain, and enforce written policies and procedures addressing conflicts of interest, defined as interests that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Such procedures must be, among other things, reasonably designed to identify and mitigate any conflicts of interest associated with recommendations to retail customers that create an incentive for an associated person to place the firm's interest, or the associated person's interest, ahead of the customer's interest. This obligation applies to incentives that are provided to the associated person, whether by the firm or third parties, that are within the control of or associated with the broker-dealer's business.

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system, including WSPs, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

A violation of Exchange Act Rule 15l-1 and FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

From June 30, 2020, to the present, LIFG failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. LIFG also failed to establish, maintain, and enforce a supervisory system, including

WSPs, reasonably designed to achieve compliance with Reg BI. From June 30, 2020, to November 1, 2021, the firm failed to make any reference to Reg BI in its written policies and procedures. On November 1, 2021, the firm began to use written policies and procedures that contained general background information about Reg BI but still had no procedures to prevent, detect, or promptly correct violations of Reg BI or to otherwise achieve compliance with Reg BI.

Therefore, LIFG violated Exchange Act Rule 15l-1 and FINRA Rules 3110 and 2010.

LIFG Failed to Have a Supervisory System, Including WSPs, Reasonably Designed to Achieve Compliance with Form CRS Obligations

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare, file and deliver the Form CRS pursuant to Exchange Act Rule 17a-14—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

From June 30, 2020, to the present, LIFG failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with Form CRS requirements. From June 30, 2020, to November 1, 2021, the firm failed to make any reference to Form CRS in its WSPs. On November 1, 2021, the firm began to use WSPs that contained general background information about Form CRS but still had no procedures regarding the preparation, filing, and distribution of the Form CRS. As of March 2022, the firm was again using WSPs that made no reference to Form CRS.

Therefore, LIFG violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$35,000 fine; and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and (1) implemented written policies and procedures reasonably designed to achieve compliance with Reg BI and (2) implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Exchange Act Rules 15l-1 and 17a-14 regarding the issues identified in this AWC. The certification

shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Shane B. Kelly, Counsel, 4600 S. Syracuse Street, Suite 1400, Denver, Colorado, 80237, or electronically to shane.kelly@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 sanction imposed in this matter.

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 it;
- 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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

January 13, 2023

Date

Stuart Reis

Long Island Financial Group, Inc.
Respondent

Print Name: Stuart Reis

Title: president

Accepted by FINRA:

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

February 10, 2023

Date

Shane B. Kelly

Shane B. Kelly

Counsel
FINRA

Department of Enforcement
4600 S. Syracuse St., Suite 1400
Denver, CO 80237