

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GREGORY SCOTT HANSHEW
(CRD No. 2624600),

Respondent.

Disciplinary Proceeding
No. 2021071060902

Hearing Officer–BEK

DEFAULT DECISION

July 25, 2022

Respondent is barred from associating with any FINRA member firm in any capacity for failing to provide information and documents to FINRA staff, in violation of FINRA Rules 8210 and 2010.

Appearances

For the Complainant: John Luburic, Esq., and Michael P. Manning, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: No appearance

DECISION

I. Introduction

The Department of Enforcement properly served Respondent Gregory Scott Hanshew with the First and Second Notices of Complaint and the Complaint. The Complaint alleges that Hanshew violated FINRA Rules 8210 and 2010 by failing to provide information and documents requested by FINRA staff. Hanshew did not file an Answer to the Complaint. As a result, on May 31, 2022, Enforcement filed a motion for entry of default decision and request for imposition of sanctions (“Default Motion”). The Default Motion is supported by the declaration of Enforcement counsel Michael P. Manning, Esq. (“Manning Decl.”) and 20 supporting exhibits (CX-1 through CX-20). Hanshew did not respond to the Default Motion.

For the reasons set forth below, I find Hanshew in default, deem the allegations in the Complaint admitted, and grant Enforcement’s Default Motion.

II. Findings of Fact and Conclusions of Law

A. Respondent's Background

Hanshew entered the securities industry in 1995 and was associated with several FINRA members before registering as a general securities representative with Infinity Financial Services (“Infinity”) in January 2017. On June 11, 2020, Infinity filed a Uniform Termination Notice of Securities Industry Registration (Form U5) stating that Hanshew was terminated voluntarily.¹

B. FINRA's Jurisdiction

Although Hanshew is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4(a) of FINRA's By-Laws. This is because: (1) the Complaint was filed within two years after June 11, 2020, the effective date on which he ceased to be associated with a FINRA member firm; and (2) the Complaint charges him with failing to provide information and documents requested by FINRA staff during the two-year period after June 11, 2020.

C. Origin of the Investigation

In February 2021, FINRA staff began investigating whether Hanshew had engaged in various sales practice violations involving senior investors and failed to disclose outside business activities, judgments, and liens, while he was associated with Infinity. During FINRA staff's investigation, Hanshew failed to fully and timely provide requested information and documents, leading to this disciplinary proceeding.²

D. Respondent's Default

Enforcement served Hanshew with the First Notice of Complaint and the Complaint on March 15, 2022, by first-class and certified mail, return receipt requested, at his last known residential address as reflected in the Central Registration Depository (“CRD”). Enforcement also sent copies to Hanshew by first-class and certified mail, return receipt requested, at a residential address Enforcement found in the LexisNexis database. In addition, Enforcement emailed copies to Hanshew's personal email address. The certified mail sent to Hanshew's CRD address and the LexisNexis address were returned, as was the first-class mail sent to Hanshew's CRD address. The first-class mail sent to the LexisNexis address and the email sent to Hanshew's email address were not returned.³ Additionally, Hanshew admitted receiving the

¹ Complaint (“Compl.”) ¶¶ 2-3; Complainant's Exhibit (“CX-__”) 1, at 4; CX-2, at 1.

² Compl. ¶¶ 5, 30, 36; Manning Decl. ¶¶ 4-5.

³ Manning Decl. ¶¶ 13-19; CX-1, at 1; CX-3; CX-4; CX-5; CX-6; CX-7.

Notice of Complaint and the Complaint in a phone conversation with Enforcement on March 30, 2022.⁴ Enforcement confirmed this conversation in an email sent the same day to Hanshew.⁵

When Hanshew failed to answer the Complaint, Enforcement served a Second Notice of Complaint and the Complaint on April 14, 2022, by first-class and certified mail, return receipt requested, to his CRD address and the LexisNexis address. Enforcement also sent copies to Hanshew's email address. Again, the mail sent to Hanshew at his CRD address was returned, as was the certified mail sent to the LexisNexis address. The copies sent to the LexisNexis address by first-class mail and to Hanshew's email address were not returned.⁶

Under FINRA Rule 9134, service of a complaint is valid if sent to an individual respondent by certified mail at the person's most recent residential address reflected in the CRD, unless the staff has actual knowledge that the CRD address is outdated and knows of a more current address.⁷ Here, Enforcement served the First and Second Notices of Complaint and Complaint on Hanshew at his CRD address and the LexisNexis address, and Hanshew acknowledged receipt of the First Notice of Complaint and Complaint. Thus, I find that Hanshew had both actual and constructive notice of this proceeding.⁸

Pursuant to FINRA Rule 9215, Hanshew was required to file an Answer or otherwise respond to the Second Notice of Complaint by May 2, 2022.⁹ He has not done so. I thus find that he has defaulted. Pursuant to FINRA Rules 9215(f) and 9269(a)(2), I grant the Default Motion and deem the allegations in the Complaint admitted.¹⁰

E. Hanshew Failed to Provide Information and Documents

FINRA Rule 8210 requires anyone subject to FINRA's jurisdiction to provide the information and testimony requested by FINRA staff and "is at the heart of the self-regulatory

⁴ Manning Decl. ¶ 21.

⁵ *Id.*; CX-8.

⁶ Manning Decl. ¶¶ 22-29; CX-9; CX-10; CX-11; CX-12. In accordance with FINRA Rule 9215(f), the Second Notice of Complaint informed Hanshew that his failure to answer the Complaint would enable the Hearing Officer, in the exercise of his discretion, to treat as admitted the Complaint's allegations and to enter a default decision against him. Manning Decl. ¶ 31; CX-9, at 1.

⁷ FINRA Rule 9134 alternatively provides that a complaint may be served on a person at the CRD address of an entity employing that person. This option does not apply here because Hanshew was no longer employed by a FINRA member after he voluntarily terminated his employment with Infinity.

⁸ *See* FINRA Rules 9131(b) and 9134(b)(3) (together, stating that service of the Complaint "by mail is complete upon mailing"); *Dep't of Enforcement v. Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 n.1 & 6 (NAC Dec. 9, 2003) (citing NASD Rule 9134(b)(1), the predecessor to FINRA Rule 9134(b)(1), and finding respondent received constructive notice when the Complaint was mailed to respondent's CRD address).

⁹ Manning Decl. ¶ 31; CX-9.

¹⁰ Hanshew may move to set aside the default pursuant to FINRA Rule 9269(c) upon a showing of good cause.

system for the securities industry.”¹¹ Because FINRA lacks subpoena power, it relies on Rule 8210 to obtain information necessary to carry out “its investigations and fulfill its regulatory mandate.”¹² The failure to fully and timely respond to information requests violates FINRA Rules 8210 and 2010.¹³

The single cause of action in the Complaint alleges that Hanshew failed to provide information and documents in response to FINRA’s Rule 8210 requests. On April 21 and May 10, 2021, as fairly summarized in the Complaint, FINRA staff sent Hanshew written requests to “provide information about his facilitating receipt and/or distribution of funds with various individuals and entities, lending arrangements and communications with investors, outside business activities, financial accounts, tax returns, Internet Protocol address(es) and Internet Service Providers, and certain judgments or liens”¹⁴

FINRA staff’s May 10, 2021 Rule 8210 request required Hanshew to provide information and documents by May 24, 2021, but he failed to do so.¹⁵ On June 15, FINRA staff attempted to contact Hanshew by phone and email but were unsuccessful; the email noted that FINRA staff had sent Hanshew letters and asked him about his current mailing address.¹⁶ On June 29 and August 4, 2021, FINRA staff sent Hanshew additional Rule 8210 requests, enclosing copies of the April 21 and May 10 requests.¹⁷ On August 11, Hanshew left a voicemail for the FINRA staff person who signed the August 4 request and sent the June 15 email.¹⁸ On August 11, Hanshew also sent a blank email response to the June 15 email FINRA staff had sent to Hanshew.¹⁹

On September 14, 2021, FINRA staff sent Hanshew a Notice of Suspension pursuant to FINRA Rule 9552. The Notice of Suspension informed him that he would be suspended from associating with any FINRA member firm in any capacity on October 8, 2021, unless he provided FINRA the requested information and documents.²⁰ When Hanshew failed to respond, FINRA staff notified him by a letter dated October 8, 2021, that he was suspended, and that he

¹¹ *Howard Brett Berger*, Exchange Act Release No. 58950, 2008 SEC LEXIS 3141, at *13 (Nov. 14, 2008), *petition for review denied*, 347 F. App’x 692 (2d Cir. 2009).

¹² *CMG Inst’l Trading, LLC*, Exchange Act Release No. 59325, 2009 SEC LEXIS 215, at *15 (Jan. 30, 2009).

¹³ *Dep’t of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at *24-25 (NAC June 3, 2014), *aff’d*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

¹⁴ Compl. ¶¶ 6, 9; CX-13; CX-14.

¹⁵ Compl. ¶ 9; CX-14.

¹⁶ Compl. ¶¶ 12, 18.

¹⁷ Compl. ¶¶ 14, 16; CX-15; CX-16.

¹⁸ Compl. ¶ 18.

¹⁹ *Id.*

²⁰ Compl. ¶ 20; CX-17.

would be automatically barred on December 17, 2021, if he did not request termination of the suspension on grounds of full compliance.²¹

On October 27 and 28, 2021, Hanshew left voicemail messages for the FINRA staff member who signed the October 8 letter. FINRA staff returned Hanshew's call and sent him an email notifying him that his voicemail was full, providing additional FINRA contact information, and reminding Hanshew that his suspension would automatically convert to a bar if he did not fully comply with the outstanding Rule 8210 requests.²²

On November 15, 2021, FINRA staff received a letter from Hanshew confirming his address and contact information, acknowledging FINRA's efforts to reach him, and providing some information and documents. Hanshew's response, however, was incomplete.²³ Specifically, as fairly summarized in the Complaint, Hanshew failed to provide: (1) "information and documents regarding financial transactions with specified persons"; (2) "Internet Protocol and Internet Service Providers (sic) addresses for Hanshew's electronic devices and related information"; and (3) "information regarding undisclosed liens and judgments."²⁴ He also failed to: (1) "identify each financial account that was open during the relevant period"; (2) "produce any responsive monthly statements for his financial accounts during the relevant period or, if not in possession thereof, to detail efforts to obtain them"; (3) "provide signed copies of his tax returns for 2018, 2019, and 2020 or, if not in possession thereof, to detail efforts to obtain them or explicitly state that he will not file a return for those years"; (4) "produce correspondence regarding discussions with investors or customers for investments involving loans during the relevant period in his possession, custody or control, or explicitly state that he has none"; and (5) "provide the date a certain lien/judgment was paid."²⁵

On November 19, 2021, FINRA staff sent a letter to Hanshew notifying him of the deficiencies in his response. This letter also reminded Hanshew of the bar scheduled to take effect automatically on December 17, 2021, if he did not provide the missing information and documents and request to terminate the suspension on grounds of full compliance.²⁶ FINRA staff sent another letter on December 16, 2021. This letter informed Hanshew that despite his failure to fully comply with the Rule 8210 requests, he would not be barred; rather, he would remain suspended until he fully complied with the requests and requested termination of the suspension.²⁷

²¹ Compl. ¶¶ 23-24; CX-18.

²² Compl. ¶ 27.

²³ Compl. ¶¶ 29-30. Hanshew's letter is not included as an exhibit, but it is referenced in CX-19 and CX-20 as being dated "September 8, 2012" (sic) and received on November 15, 2021.

²⁴ Compl. ¶ 30.

²⁵ *Id.*

²⁶ Compl. ¶¶ 31-33; CX-19.

²⁷ Compl. ¶¶ 34-35; CX-20.

Hanshew did not further correspond with FINRA or provide any additional information. Hanshew remains suspended pursuant to the Notice of Suspension.²⁸ Because Hanshew failed to timely and fully provide the requested information and documents, I find that he has violated FINRA Rules 8210 and 2010.

III. Sanctions

FINRA's Sanction Guidelines ("Guidelines") recommend that, if an individual provided a partial but incomplete response to a Rule 8210 request, a bar should be standard unless the person can demonstrate that the information provided substantially complied with all aspects of the request.²⁹ Factors relevant to the appropriate sanction include the following:

- Importance of the information requested that was not provided as viewed from FINRA's perspective, and whether the information provided was relevant and responsive to the request.
- Number of requests made, the time the respondent took to respond, and the degree of regulatory pressure required to obtain a response.
- Whether the respondent thoroughly explains valid reason(s) for the deficiencies in the response.³⁰

Here, FINRA staff sought information and documents from Hanshew to further their investigation into whether Hanshew had engaged in various sales practice violations involving senior investors and failed to disclose outside business activities, judgments, and liens, while he was associated with Infinity. Although Hanshew provided some of the information and documents requested by FINRA, he failed to provide an extensive amount of the requested information and documents, as noted above. And what he did provide required extensive coaxing in the form of repeated requests, a warning of suspension and bar, and actual suspension.

The information sought (and not provided) was material to FINRA's investigation and necessary to complete FINRA's regulatory mandate to fully investigate potential rule violations and to protect the investing public.³¹ Given the extensive amount of requested information and documents that remain outstanding, I find that Hanshew's partial response fails to constitute substantial compliance with all aspects of the Rule 8210 requests. And, given Hanshew's failure

²⁸ Compl. ¶ 36; Manning Decl. ¶ 5.

²⁹ Guidelines at 33 (Oct. 2021), <https://www.finra.org/sanctionguidelines>. The Guidelines also suggest a monetary fine from \$10,000 to \$77,000. *Id.* Fines, however, generally are not appropriate when a bar is imposed and there is no customer loss. *Id.* at 10. Here, there is no assertion in the Complaint that a customer sustained a loss. Because I impose a bar for Hanshew's violation of Rules 8210 and 2010, I am not imposing a fine.

³⁰ *Id.* at 33.


³¹ *Joseph Ricupero*, Exchange Act Release No. 62891, 2010 SEC LEXIS 2988, at *21 (Sept. 10, 2010) ("Without subpoena power, [FINRA] must rely on Rule 8210 to obtain information from its members necessary to carry out its investigations and fulfill its regulatory mandate."), *petition for review denied*, 436 F. App'x 31 (2d Cir. 2011).

to provide the requested information after so many repeated requests, I find it unlikely that a continued suspension of Hanshew will prompt him to fully comply with the outstanding Rule 8210 requests. I thus find that a bar in all capacities from the securities industry is appropriate.

IV. Order

Respondent Gregory Scott Hanshew is barred from associating with any FINRA member firm in any capacity for failing to fully and timely provide information and documents requested by FINRA staff, in violation of FINRA Rules 8210 and 2010, as alleged in the sole cause of the Complaint.

The bar shall become effective immediately if this Default Decision becomes FINRA's final disciplinary action.



Bruce E. Kasold
Hearing Officer

Copies to:

Gregory Scott Hanshew (via email, overnight courier, and first-class mail)
John Luburic, Esq. (via email)
Michael P. Manning, Esq. (via email)