
 *
IN THE MATTER OF: *
 *
NYPPEX, LLC *
CRD NO. 47654 (“NYPPEX”) *
 *
LAURENCE GEOFFREY ALLEN *
CRD NO. 1063970 (“Allen”) *
 *
(“Respondents”) *
 *

**FINDINGS OF FACT,
 CONCLUSIONS OF LAW
 AND ORDER**

DOCKET NO. NDR-20-14445-S

I. INTRODUCTION

The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies promulgated under the Act.

The above-referenced matter was initiated upon charges brought by the Commissioner after an investigation conducted by the Securities and Business Investments Division of the Department of Banking (“Department”) to deny the broker-dealer registration of NYPPEX in Connecticut and to deny the broker-dealer agent registration of Allen in Connecticut. On February 21, 2020, the Commissioner issued a Notice of Intent to Deny Registration as Broker-Dealer, Notice of Intent to Revoke Registration as a Broker-Dealer Agent and Notice of Right to Hearing (collectively “Notice”) against Respondents. On February 21, 2020, the Notice was sent to Respondents by certified mail, return receipt requested. On February 25, 2020, the Department received a hearing request from Respondents.

On March 3, 2020, the Commissioner issued a Notification of Hearing and Designation of Hearing Officer stating that the hearing would be held on April 1, 2020, and appointing Attorney Jeffrey Schuyler as Hearing Officer. On December 7, 2022, the Commissioner issued an Amended Notice of Intent to Deny Registration as Broker-Dealer, Amended Notice of Intent to Deny Registration as a Broker-Dealer Agent and Amended Notice of Right to Hearing (“Amended Notice”) against Respondents. On December 8, 2022, the Amended Notice was sent by certified mail, return receipt requested, to Respondents. After several continuances of the scheduled hearing date, a hearing was held at the Department on March 28, 2023. At the hearing, Attorney Elena Zweifler represented the Department and Respondents failed to appear. The hearing was conducted in accordance with Chapter 54 of the Connecticut General Statutes, the “Uniform Administrative Procedure Act”, and the Department’s contested case regulations, Sections 36a-1-19 to 36a-1-57, inclusive, of the Regulations of Connecticut State Agencies.

Section 36a-1-31(b) of the Regulations of Connecticut State Agencies provides, in pertinent part, that:

When a party fails to appear at a scheduled hearing, the allegations against the party may be deemed admitted. Without further proceedings or notice to the party, the presiding officer shall submit to the commissioner a proposed final decision containing the relief sought in the notice

Having read the entire record, including documentary evidence, I make the following findings of fact and conclusions of law based on the evidence in the record.

II. FINDINGS OF FACT

1. On February 21, 2020, the Commissioner, acting pursuant to Section 4-182(c) of the Connecticut General Statutes and Section 36b-15(a) of the Act, issued a Notice of Intent to Deny Registration as Broker-Dealer, Notice of Intent to Revoke Registration as a Broker-Dealer Agent and Notice of Right to Hearing against Respondents. (HO Ex. 1; Tr. at 5-6.)*
2. On February 25, 2020, Respondents requested a hearing on the Notice. (HO Ex. 2; Tr. at 6.)
3. On March 3, 2020, the Commissioner issued a Notification of Hearing and Designation of Hearing Officer appointing Attorney Jeffrey Schuyler as Hearing Officer and setting April 1, 2020 as the hearing date. (HO Ex. 1.)
4. On December 7, 2022, the Commissioner issued an Amended Notice of Intent to Deny Registration as Broker-Dealer, Amended Notice of Intent to Deny Registration as a Broker-Dealer Agent and Amended Notice of Right to Hearing against Respondents. (HO Ex. 3; Tr. at 6.)
5. On February 27, 2023, Hearing Officer Schuyler scheduled the matter to proceed to an administrative hearing on March 28, 2023, at 10 a.m. (HO Ex. 4; Tr. at 6-7.)
6. On March 27, 2023, the Hearing Officer received an email from Respondents confirming that neither would appear at the hearing. (HO Ex. 5; Tr. at 7.)
7. On March 28, 2023, Attorney Elena Zweifler represented the Department at the hearing. (Tr. at 3.)
8. Neither of the Respondents appeared at the hearing. (Tr. at 4.)
9. NYPPEX is a Delaware limited liability company with its principal office at 120 N. Washington Square, Suite 200, Lansing, Michigan 48933. Prior to September 29, 2010, the firm had been located at 55 Old Field Point Road, Greenwich, Connecticut 06830. NYPPEX was registered as a broker-dealer under the Act from November 29, 1999 to December 31, 2019 when its registration was terminated for failing to renew. On January 14, 2020, NYPPEX reapplied for registration as a broker-dealer under the Act. (HO Ex. 3.) NYPPEX filed to withdraw its pending broker-dealer application. (Tr. at 10.)

*Parenthetical references relate to exhibits entered into the hearing record by the Hearing Officer (“HO Ex.”). Transcript (“Tr.”) pages reflect where an exhibit was entered into the record or where relevant testimony was given.

10. Allen, a resident of Greenwich, Connecticut, is the managing member of NYPPEX. Allen was registered as a broker-dealer agent of NYPPEX under the Act from November 29, 1999 to December 31, 2019 when his broker-dealer agent registration was terminated for failing to renew. On October 30, 2020, Allen reapplied to be a broker-dealer agent under the Act, but then on the same day filed to withdraw his pending broker-dealer agent application. Both of these applications are pending. (HO Ex. 3.)
11. On February 4, 2020, in an action brought by the Attorney General of the State of New York (“New York Action”), the Supreme Court of the State of New York, County of New York entered a preliminary injunction enjoining NYPPEX, Allen and others from, *inter alia*, “[v]iolating Article 23-A of the New York General Business Law and from engaging in fraudulent, deceptive and illegal acts, and further employing any device, scheme or artifice to defraud or to obtain money or property by means of false pretense, representation or promise”. (*People v. Allen, Laurence G.*, No. 2378/2019 (Supreme Ct. N.Y. Cnty. 2019)). The underlying conduct involved limited partnership investments. (HO Ex. 3.)
12. On January 11, 12, 13 and 14, 2021, a trial took place on the merits in the New York Action. On February 4, 2021, the court in the New York Action issued a “Decision After Trial”, wherein the court entered a permanent injunction enjoining NYPPEX and Allen from, among other things, making any distributions from ACPX (the underlying investment fund) except to investors. *People v. Allen, Laurence*, No. 452378/2019 (Supreme Ct. N.Y. Cnty. 2021) (NYSCEF Doc. No. 538). The Decision After Trial also found that Allen made frequent, material misrepresentations and misleading omissions in communications to the investors and made false and misleading reports on the value of ACPX’s interest in NYPPEX to the investors and caused ACPX to purchase NYPPEX stock at wildly inflated prices. NYPPEX appealed the Decision After Trial to the Supreme Court Appellate Division, First Judicial Department (“First Judicial Department Decision”), which decided on October 21, 2021, to uphold the Decision After Trial in full. *James, AG SNY v Allen*, N.Y. App. Div., 198 A.D.3d 531 (1st Dep’t 2021). (HO Ex. 3.)
13. In July 2022, NYPPEX and Allen appealed the First Judicial Department Decision to the New York Court of Appeals, which appeal was denied on October 20, 2022. *People of State of New York, by Letitia James, etc. v Laurence G. Allen*, Slip Opinion No: 2022 NY Slip Op. 73209, October 20, 2022. (HO Ex. 3.)
14. In May 2021, the Financial Industry Regulatory Authority’s (“FINRA”) Department of Enforcement filed a nine-cause complaint against NYPPEX and Allen, alleging a pattern of misconduct in the securities business, including securities fraud. On August 26, 2022, FINRA issued an Extended Hearing Panel Decision (“Hearing Panel Decision”) expelling NYPPEX from FINRA membership and barring Allen from associating with any FINRA member firm in any capacity for, among other things, engaging in securities fraud. *FINRA Disciplinary Proceeding No. 2019064813801*. NYPPEX and Allen have appealed the Hearing Panel Decision to FINRA’s National Adjudicatory Council (“NAC”), which appeal is still pending. (HO Ex. 3.)
15. On February 14, 2020, NYPPEX filed with the NAC a Membership Continuance Application, which it amended on March 24, 2021 (“Application”). The Application to the NAC requested that FINRA permit Allen, a person then subject to statutory disqualification, to continue to associate with NYPPEX. The NAC denied NYPPEX’s application on September 23, 2022. Allen filed an application for review of the NAC decision with the Securities and Exchange Commission (“SEC”) on October 24, 2022. This appeal is currently pending. (HO Ex. 3.)

16. On March 4, 2022, the Commonwealth of Kentucky, Public Protection Cabinet, Department of Financial Institutions (“Kentucky”) filed a complaint against NYPPEX alleging violations of the Securities Act of Kentucky and requesting the revocation of NYPPEX’s broker-dealer registration (“Kentucky Action”). On May 13, 2022, Kentucky entered a Final Order of Default in the Kentucky Action, revoking NYPPEX’s broker-dealer registration in Kentucky and entering a Cease and Desist Order against NYPPEX from engaging in the securities business in the state of Kentucky for ten years. (HO Ex. 3.)
17. On June 4, 2021, the Maryland Securities Commissioner (“Maryland”) issued an Order to Show Cause and Order of Summary Suspension (“Maryland Action”) based on the permanent injunction issued against NYPPEX in the New York Action. NYPPEX failed to timely request a hearing in the Maryland Action, and on July 13, 2021, Maryland issued an Order of Revocation, revoking NYPPEX’s broker-dealer registration in Maryland. On December 6, 2021, Maryland and NYPPEX entered into a Consent Order, wherein NYPPEX’s prior broker-dealer revocation was vacated, and its registration in Maryland was withdrawn. In addition, NYPPEX agreed not to apply or reapply for registration as a broker-dealer or investment adviser in Maryland or conduct securities or investment advisory business in Maryland until the later of five years from the date of the Consent Order or all pending regulatory matters have been resolved. (HO Ex. 3.)
18. On April 14, 2022, the State of Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, issued a Notice of Intent to Revoke Broker-Dealer Registration (“Michigan Action”) against NYPPEX. The Michigan Action was based on the fact that NYPPEX was subject to a permanent injunction in the New York Action and subject to Maryland’s order prohibiting or barring it from registering as a broker-dealer or investment adviser in the State of Maryland for at least five years. The Michigan Action is currently pending. (HO Ex. 3.)
19. On March 14, 2022, the SEC filed an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 and Notice of Hearing against Allen. The SEC’s proceeding is based on the allegations raised in the New York Action and is currently pending. (HO Ex. 3.)
20. The Department requested that the Commissioner deny the registration for NYPPEX as a broker-dealer in Connecticut. (HO Ex. 3; Tr. at 10.)
21. The Department requested that the Commissioner deny the registration for Allen as a broker-dealer agent in Connecticut. (HO Ex. 3; Tr. at 10.)

III. CONCLUSIONS OF LAW

1. Pursuant to Section 36a-1-31(b) of the Regulations of Connecticut State Agencies, the allegations made in the Amended Notice against Respondents are deemed admitted.
2. The New York Action, the FINRA Hearing Panel Decision and the Kentucky Action against NYPPEX form a basis for the denial of NYPPEX’s registration as a broker-dealer in Connecticut pursuant to Sections 36b-15(a)(2)(D), 36b-15(a)(2)(F)(iii) and 36b-15(a)(2)(F)(i) of the Act, respectively.

3. The New York Action and the FINRA Hearing Panel Decision against Allen form a basis for the denial of Allen's registration as a broker-dealer agent in Connecticut pursuant to Sections 36b-15(a)(2)(D) and 36b-15(a)(2)(F)(iii) of the Act, respectively.
4. Section 36b-31(b) of the Act requires that the Commissioner find that an order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of Sections 36b-2 to 36b-34, inclusive, of the Act. In this case, the New York Action, the FINRA Hearing Panel Decision and the Kentucky Action represent sufficient evidence for the issuance of an order denying NYPPEX's registration as a broker-dealer and is in the public interest. The New York Action and the FINRA Hearing Panel Decision represent sufficient evidence for the issuance of an order denying Allen's registration as a broker-dealer agent in Connecticut and is in the public interest.
5. The Amended Notice issued by the Commissioner complied with Section 36b-15(f) of the Act, and Sections 4-177(b) and 4-182(c) of the Connecticut General Statutes.
6. The Commissioner complied with Section 4-182(c) of the Connecticut General Statutes.

IV. ORDER

Having read the record, I hereby **ORDER**, pursuant to Section 36b-15(a) of the Act, that:

1. The registration of NYPPEX, LLC as a broker-dealer in Connecticut be **DENIED**;
2. The registration of Laurence Geoffrey Allen as a broker-dealer agent in Connecticut be **DENIED**; and
3. This Order shall become effective when mailed.

Dated at Hartford, Connecticut,
this 3rd day of July 2023.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 5th day of July 2023, the foregoing Findings of Fact, Conclusions of Law and Order was sent by certified mail, return receipt requested, to, NYYPEX, LLC, 120 North Washington, Suite 300, Lansing, Michigan 48933, Certified Mail No. 7016 2710 0000 5897 0564; Laurence Geoffrey Allen, 120 North Washington, Suite 300, Lansing, Michigan 48933, Certified Mail No. 7016 2710 0000 5897 0427; Laurence Geoffrey Allen, 43 Maple Avenue, Greenwich, Connecticut 06830, Certified Mail No. 7016 2710 0000 5897 0434; a hard copy of the Findings of Fact, Conclusions of Law and Order was hand delivered to Attorney Elena Zweifler, State of Connecticut, Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut; and an email attaching a copy of the Findings of Fact, Conclusions of Law and Order was sent to Laurence Geoffrey Allen and Attorney Zweifler.

_____/s/_____
Carmen Calderon
Secretary