

## THE DISCIPLINARY AND ETHICS COMMISSION

IN THE MATTER OF  
SCOTT M. BREMUS,  
Respondent.

CFP Board Case No. 2022-63314

August 23, 2024

### ORDER

#### I. PROCEDURAL HISTORY

Certified Financial Planner Board of Standards, Inc. (“CFP Board”) granted Respondent the right to use the CFP<sup>®</sup>, CERTIFIED FINANCIAL PLANNER<sup>®</sup>,  and  certification marks (“CFP Board marks”) on May 24, 2004, and he has been certified since that date. (DEC Book at 13.)<sup>1</sup>

On January 16, 2024, following an investigation, Enforcement Counsel filed a Complaint with CFP Board’s Disciplinary and Ethics Commission (“Commission” or “DEC”) alleging that there are grounds to sanction Respondent for violations of Standards A.8.a., D.2.a., and E.3.j. of the *Code of Ethics and Standards of Conduct* (the “*Code and Standards*”). (*Id.* at 3-10.) The Complaint cites Respondent’s termination from his firm, and an October 4, 2023 Letter of Acceptance, Waiver and Consent (“AWC”) Respondent entered with the Financial Industry Regulatory Authority, Inc. (“FINRA”). (*Id.*)

On February 15, 2024, Respondent filed an Answer to the Complaint. (*Id.* at 87-94.) Respondent’s Answer admitted certain allegations in the Complaint, denied the allegations of misconduct, and set forth mitigating circumstances for the Commission to consider in determining whether a sanction was warranted. (*Id.*)

On June 27, 2024, a Hearing Panel of the Commission convened at CFP Board’s headquarters in Washington, D.C. to hear testimony and review and consider documents, information, and argument relevant to the Complaint. (Transcript of Hearing of Scott Bremus, CFP<sup>®</sup>, June 27, 2024 (“Tr.”) at 1.) Enforcement Counsel appeared for CFP Board; DEC Counsel appeared for the DEC and for the Hearing Panel; Respondent appeared and was represented by counsel.

The Commission considered the Hearing Panel’s recommendation on whether to find that a violation occurred, whether there are grounds for sanction and, if so, the appropriate sanction.

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<sup>1</sup> The DEC Book and any other exhibits to this Order will not be published under Article 17.7 of the *Procedural Rules*.

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## II. FINDINGS OF FACT

### A. Background

Respondent has passed the (a) SIE – Securities Industry Essentials Examination (2018); (b) Series 7 – General Securities Representative Examination (2000), and (c) Series 66 – Uniform Combined State Law Examination (2000). (DEC Book at 19.)

Respondent has been associated with Firm #1 as an Investment Adviser since February 7, 2022. (*Id.* at 17.)

From October 17, 2016, to November 8, 2021, Respondent was associated as an Investment Adviser Representative with Firm #2, a joint Registered Investment Advisor/Broker-Dealer affiliated with Firm #3. (*Id.* at 5,17.)

### B. Termination from Firm #3

On December 3, 2021, CFP Board Staff conducted a background check and discovered that Firm #3 had terminated its relationship with Respondent. (*Id.* at 52-53.) Respondent’s BrokerCheck report states that Firm #3 terminated him because he “facilitated private securities transactions without firm approval.” (*Id.* at 49.)

Respondent failed to notify CFP Board within 30 days of his termination from Firm #3. Respondent states that at the time, he had financial and personal stress that caused him to inadvertently fail to report his termination to CFP Board in a timely matter. (*Id.* at 56).

### C. Respondent’s FINRA AWC

On October 4, 2023, Respondent entered into his AWC with FINRA.

In the AWC, Respondent consented to the following findings, without admitting or denying them:

FINRA Rule 3280(b) requires that “[p]rior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the person’s proposed role therein.” FINRA Rule 3280(e) defines a private securities transaction as “any securities transaction outside the regular course or scope of an associated person’s employment with a member.” A violation of FINRA Rule 3280 is also a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to “[o]bserve high standards of commercial honor and just and equitable principles of trade.[”]

While associated with Firm #3, [Respondent] also was associated with an investment adviser that was registered with the U.S. Securities and Exchange Commission. Almost all client assets of the investment adviser were held in

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accounts at Firm #3. One of the principals of the investment adviser was Registered Representative A, who was also registered with FINRA through an association with Firm #3. Registered Representative A engaged in outside business activities that he did not disclose to Firm #3, and he caused Firm #3 clients to transfer money from their Firm #3 accounts to those outside business activities.<sup>2</sup> One of those outside business activities was Company B.

(*Id.* at 106.)

[Respondent] participated in a private securities transaction involving two of his Firm #3 customers, Customers 1 and 2, a married couple. [Respondent] introduced Customers 1 and 2 to Registered Representative A to facilitate a discussion among them regarding an investment in Company B. In August 2020, Customers 1 and 2 entered into a \$300,000 promissory note with Company B. With the customers' authorization, on August 12, 2020, [Respondent] electronically signed and submitted forms to request a \$125,000 wire transfer from the Firm #3 account of Customer 1 to Company B and a \$175,000 wire transfer from the Firm #3 account of Customer 2 to Company B. [Respondent] attested on the forms that he "did not solicit, recommend, or otherwise participate in the underlying transaction or investment for which this transfer was requested." [Respondent] thereafter communicated with [Registered] Representative A regarding the status of the customers' investment in Company B. [Respondent] did not receive any selling compensation for his participation in this transaction.

(*Id.*)

Firm #3's policies required associated persons to provide written notice to the firm about any proposed private securities transaction and to receive written approval from the firm before participating in the transaction. Firm #3 defined participation in a private securities transaction to include "referring/introducing clients and non-clients to the investment, issuer or its representative, as well as arranging, facilitating, or participating in meetings and/or discussions between clients and non-clients and the issuer or their representative." [Respondent] failed to provide written notice to or obtain written approval from Firm #3 prior to participating in this private securities transaction.

Therefore, [Respondent] violated FINRA Rules 3280 and 2010.

(*Id.* at 106-07.)

Respondent consented to the imposition of a 6-month suspension from associating in any capacity with any FINRA member firm and a \$10,000 fine. (*Id.* at 107.)

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<sup>2</sup> In October 2021, FINRA accepted and issued a Letter of Acceptance, Waiver, and Consent which found that Registered Representative A had failed to provide documents, information, and testimony as required by FINRA Rule 8210 and barred him from associating with a FINRA member firm in all capacities.

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#### **D. Respondent's Testimony**

At the outset of the hearing, Respondent testified that there were no longer any contested issues between the parties, that he stipulated to the facts, and that he agreed with the grounds for sanction and Enforcement Counsel's recommended sanction. (Tr. at 14-16.) Respondent stated that he hoped his testimony would "give some color to the situation . . . telling my story . . . to show that not only do I take responsibility for my mistakes but hope to give some background . . . if I reapply which I hope to do to the CFP Board, there's at least a little color to the situation." (*Id.* at 57-58.)

Respondent testified that the transaction at issue was prompted by his clients' need to find an investment with yield for proceeds from maturing bonds. (*Id.* at 36-37.) Respondent connected the clients with Registered Representative A, also associated with Firm #3, who was promoting investment in a business enterprise seeking to facilitate the importation of gloves and masks during the COVID pandemic. (*Id.* at 33-38.) Respondent testified that Registered Representative A had lied when assuring Respondent that Firm #3 had approved the outside investment (*id.* at 35; *see also* DEC Book at 91), and that he regretted not having confirmed that fact for himself. (Tr. at 55, 58.) Interest payments to his clients under the note were delayed (*id.* at 38-39), but they ultimately incurred no loss (*id.* at 53; *see also* DEC Book at 56) and remain satisfied clients to this day. (Tr. at 46.)

Respondent also testified about two customer complaints and the surrender of his Georgia law license, all of which appeared in his BrokerCheck record. He explained that one customer complaint was unfounded -- the customer had mistaken annuity dividend reinvestments for unauthorized transactions by Respondent. (*Id.* at 48.) The second customer complaint arose from fraudulent marketing material that had been created by a third party. (*Id.* at 48-49.) Regarding his license to practice law, Respondent testified that, as an overwhelmed young lawyer he had been terminated from his law firm after lying about a missed deadline. (*Id.* at 57.) After Respondent began a career in the financial services industry, the state bar began an investigation into his prior conduct; Respondent stated that he decided to surrender his law license because he had determined that he would not practice law ever again. (*Id.* at 62-63.)

Respondent testified that he valued his CFP designation and reflected on the years of work and expense that he undertook to obtain and maintain it. (*Id.* at 25-26.)

### **III. DISCUSSION**

To impose a sanction on Respondent, the Commission must find grounds for sanction. The Commission found grounds for sanction because it determined that Respondent violated CFP Board's *Code and Standards*, as discussed below. The Commission made its decision based on the authority granted to it in Article 12 of the *Procedural Rules*.

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*First Grounds for Sanction*

Standard A.8.a. of the Code and Standards states that a CFP® professional must comply with the laws, rules, and regulations governing Professional Services.

Professional Services includes financial advice and related activities and services offered or provided, such as financial planning, legal, accounting, or business planning services.

Respondent was a CFP® professional at all times relevant to these first grounds for sanction.

Respondent's FINRA AWC states that Respondent engaged in a private securities transaction, and that he failed to provide written notice to or obtain written approval from Firm #3 before participating in the private securities transaction. FINRA determined that this conduct violated FINRA Rules 3280 and 2010.

Article 7.2 of the *Procedural Rules* provides that a record from a (a) federal, state, local, or foreign governmental agency, (b) self-regulatory organization, or (c) other regulatory authority imposing discipline upon Respondent ("Professional Discipline") is conclusive proof of the existence of such Professional Discipline and the facts and violations that serve as the basis for such Professional Discipline. The fact that Respondent has not admitted or denied the findings contained in the record does not affect the conclusiveness of the proof. Professional Discipline includes a censure, injunction, undertaking, order to cease and desist, fine, suspension, bar, or revocation, and the surrender of a professional license or certification in response to a regulatory action or regulatory investigation. A record of Professional Discipline includes a settlement agreement, order, consent order, and an AWC.

FINRA is an industry self-regulatory authority. The AWC is a record of Professional Discipline by FINRA, and Respondent is the subject of that record. Therefore, the AWC conclusively establishes the existence of such Professional Discipline for purposes of this disciplinary proceeding and is conclusive proof of the facts and violations that serve as the basis for such Professional Discipline of Respondent.

FINRA Rules 3280 and 2010 are rules governing Professional Services.

Therefore, there are grounds to sanction Respondent for violating Standard A.8.a. of the *Code and Standards*.

*Second Grounds for Sanction*

Standard D.2.a. of the *Code and Standards* states that a CFP® professional will be subject to discipline by CFP Board for violating policies and procedures of the CFP® professional's firm that do not conflict with these Standards.

Respondent was a CFP® professional at all times relevant to these second grounds for sanction.

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Pursuant to Article 7.2 of the *Procedural Rules*, the AWC with FINRA is conclusive proof that Respondent failed to comply with his firm's policies and procedures regarding private securities transactions.

Therefore, there are grounds to sanction Respondent for violating Standard D.2.a. of the *Code and Standards*.

#### *Third Grounds for Sanction*

Standard E.3.j. of the *Code and Standards* states that a CFP® professional must provide written notice to CFP Board within thirty (30) calendar days after the CFP® professional, or an entity over which the CFP® professional was a Control Person, has been terminated for cause from employment or permitted to resign in lieu of termination when the cause of the termination or resignation involved allegations of dishonesty, unethical conduct, or compliance failures.

Respondent was a CFP® professional at all times relevant to these third grounds for sanction.

Respondent failed to report to CFP Board within thirty (30) calendar days that Firm #3 had terminated him due to compliance failures.

Therefore, there are grounds to sanction Respondent for violating Standard E.3.j. of the *Code and Standards*.

#### **IV. THE COMMISSION'S DECISION**

Under Article 12.3 of CFP Board's *Procedural Rules*, the Commission's final order must impose a sanction if the Commission finds a violation that warrants a sanction. The Commission has discretion to order a sanction among the applicable sanctions set forth in Article 11.1.

CFP Board has issued its non-binding *Sanction Guidelines* that are intended to serve as guidance for determining appropriate sanctions. The Commission considered the following conducts and recommended sanctions from the Sanction Guidelines:

Conduct 34. Professional Discipline involving a suspension for more than three months (90 days). (Suspension for at least one year and one day)

Conduct 31. Securities Law Violation. (Public Censure)

Conduct 14. Failure to disclose. (Private Censure)

The Commission also considered whether there were any material aggravating or mitigating factors in this case, and what weight those factors may have in its decision.

The Commission considered in mitigation the following factors:

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1. The conduct at issue was an isolated incident.
2. Respondent did not receive any compensation for the transaction at issue.
3. Respondent's clients did not incur losses or other harm as a result of the transaction at issue.

The Commission considered in aggravation the following factors:

1. Respondent's professional conduct reveals a pattern of poor judgment and association with dishonest businesspeople that has led to disciplinary consequences in the past.
2. Respondent failed to consult with Firm #3's compliance professionals regarding the transaction at issue.
3. Respondent's policy violation led to his termination from Firm #3.

The Commission also considered various Case Histories<sup>3</sup> to determine if any contained non-binding precedent that may be persuasive to the Commission. The Commission found particularly relevant ACH 28127, in which the CFP Board imposed a suspension of one year and one day based on a FINRA AWC involving a six-month suspension and fine where the CFP® professional (a) recommended an outside investment in a failed joint venture in which the professional had an interest, and (b) was terminated by his firm.

In light of the evidence that supports the Commission's factual findings and the violations found, the aggravating and mitigating factors in this matter, and the parties' stipulation as to the facts in the Complaint and the appropriate sanction, the Commission issues this Order imposing on Respondent a **Suspension of One Year and One Day**.

Ordered by:

Disciplinary and Ethics Commission  
CFP Board

August 23, 2024

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<sup>3</sup> Case Histories (referred to as "CHs" or "ACHs") are available on CFP Board's website at <https://www.cfp.net/ethics/enforcement/case-history>.