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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

In the Matter of: ) CRD No.: 137662  
)  
THE COMMISSIONER OF FINANCIAL )  
PROTECTION AND INNOVATION, )  
) ACCUSATION TO REVOKE BROKER-  
Complainant, ) DEALER CERTIFICATE OF SYNAPSE  
v. ) BROKERAGE LLC PURSUANT TO  
) CORPORATIONS CODE SECTION 25212  
SYNAPSE BROKERAGE LLC, )  
)  
Respondent. )

The Commissioner of Financial Protection and Innovation (Commissioner) is informed and believes, and based upon such information and belief, alleges and charges Synapse Brokerage LLC as follows:

**I.**  
**INTRODUCTION**

1. The Commissioner is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968 (CSL) and the regulations promulgated thereunder,<sup>1</sup> which includes authority over the licensure, examination, and regulation of broker-dealers.

<sup>1</sup> See CAL. CORP. CODE §§ 25000-25707 and CAL. CODE REGS. tit. 10, §§ 260.000-260.617.

1 2. At all relevant times herein, Synapse Brokerage LLC (Synapse Brokerage) held and holds a  
2 valid broker-dealer certificate issued by the Commissioner on March 22, 2010, pursuant to the  
3 CSL (CRD Number 137662).<sup>2</sup>

4 3. At all relevant times, Synapse Brokerage is and was a Delaware limited liability company  
5 with its principal place of business located at 10233 South Parker Road, Suite 300, Office 313,  
6 Parker, Colorado 80134.

7 4. At all relevant times, Sankaet Pathak was the founder and CEO of Synapse Financial  
8 Technologies, Inc. Mr. Pathak was a control person of Synapse Brokerage from June 2020 to June  
9 2024. Jeffrey Alan Stanley was the CEO of Synapse Brokerage and was a control person from  
10 December 2023 to July 2024.

11 5. Synapse Brokerage is a subsidiary of the self-described “Banking as a Service” company  
12 Synapse Financial Technologies, Inc. Synapse Financial Technologies, Inc. filed for Chapter 11  
13 bankruptcy protection on April 22, 2024,<sup>3</sup> setting in motion a chain of events that left thousands of  
14 consumers with accounts at Synapse Brokerage unable to access their funds.

15 6. The Commissioner brings this action pursuant to Corporations Code 25212 to revoke the  
16 broker-dealer certificate issued to Synapse Brokerage for its violations of the CSL and  
17 corresponding regulations; such revocation is in the public interest.

## 18 II.

### 19 **2024 REGULATORY EXAMINATION**

20 7. On June 14, 2024, the Commissioner commenced a regulatory examination of the books  
21 and records of Synapse Brokerage (Regulatory Examination) pursuant to Corporations Code  
22 25241. The Regulatory Examination revealed the following violations of the CSL.

#### 23 **A. Failure to Produce Records Required to be Maintained**

24 8. Corporations Code 25241 requires a broker-dealer to make and maintain certain books and  
25 records as prescribed by regulations issued by the Commissioner.  
26

27 <sup>2</sup> The Central Registration Depository (CRD) is a database maintained by the Financial Industry Regulatory Authority  
28 (FINRA) since 2007. It is used to store and maintain information on registered securities and broker firms, as well as  
individuals who provide investment and financial advice.

<sup>3</sup> *In re Synapse Financial Technologies, Inc.*, No. 1:24-BK-10646-MB (Bankr. C.D. Cal. 2024).

1 9. Under Cal. Code Regs. tit. 10, section 260.241(a), a broker-dealer shall make, maintain,  
2 and preserve books and records in compliance with U.S. Securities and Exchange Commission  
3 (SEC) rules, including but not limited to the Securities Exchange Act of 1934 (Exchange Act). *See*  
4 15 U.S.C. § 78a et seq.

5 10. During the Regulatory Examination, the Commissioner made multiple demands for books  
6 and records pursuant to Cal. Code Regs. tit. 10, section 260.241(a).

7 11. Synapse Brokerage failed to produce the following records, required to be maintained or  
8 preserved pursuant to the Exchange Act:

- 9 a. Record of the name and address of the beneficial owner for each cash, margin, and  
10 security-based swap account (17 CFR § 240.17a-3(a)(9)(i));
- 11 b. Record of each written customer complaint received by the member, broker, or  
12 dealer (17 CFR § 240.17a-3(a)(18)(i));
- 13 c. Original of all communications received and copies of all communications sent by  
14 the broker-dealer, relating to its business (17 CFR § 240.17a-4(b)(4)); and
- 15 d. Written agreements relating to its business as a broker-dealer, including agreements  
16 with clients, broker-dealers, investment advisers, and other financial institutions (17  
17 CFR § 240.17a-4(b)(7)).

18 **B. Failure to Maintain Required Minimum Net Capital**

19 12. Cal. Code Regs. tit. 10, section 260.216.12(a), provides, in relevant part, that every broker-  
20 dealer shall have sufficient net capital to comply with Rule 15c3 of the Exchange Act (Net Capital  
21 Rule).

22 13. The Net Capital Rule requires broker-dealers to maintain sufficient net capital to protect  
23 against potential insolvency. Broker-dealers that carry customer accounts and receive or hold funds  
24 or securities for those account holders, shall maintain net capital of not less than \$250,000. (17  
25 CFR § 240.15c3-1(a)(2)(i)).

26 14. The Regulatory Examination revealed that Synapse Brokerage carried customer accounts  
27 and received or held funds or securities for customers. According to Synapse Brokerage's May  
28 2024 Financial and Operational Combined Uniform Single Report (FOCUS Report), its net capital

1 for May 2024 was \$217,972, which is \$32,028 deficient of the Net Capital Rule’s \$250,000  
 2 requirement. Therefore, Synapse Brokerage violated Cal. Code Regs. tit. 10, section  
 3 260.216.12(a).

4 **C. Failure to File Monthly Interim Financial Reports**

5 15. Corporations Code 25241 requires that a broker-dealer file reports as the Commissioner by  
 6 regulation requires.

7 16. Cal. Code Regs. tit. 10, section 260.241.2(d)(1) requires every broker-dealer subject to the  
 8 Net Capital Rule to file a report within 15 days after its net capital is reduced to 120% of its  
 9 required minimum net capital.

10 17. During May 2024, Synapse Brokerage fell below 120% of its required minimum net capital  
 11 of \$250,000. From May 2024 through September 2024, Synapse Brokerage failed to file monthly  
 12 interim financial reports. Therefore, Synapse Brokerage violated Cal. Code Regs. tit. 10, section  
 13 260.241.2(d)(1)

14 **III.**

15 **APPLICABLE LAW**

16 18. Corporations Code 25212 states, in relevant part:

17 The commissioner may, after appropriate notice and opportunity for  
 18 hearing, by order...*revoke the certificate of*, any broker-dealer if the  
 19 commissioner finds that the...*revocation* is in the public interest and that  
 the broker-dealer . . . has done any of the following:

20 . . .

21 (i) Has violated any provision of this division or the rules thereunder . . . .

22 (Cal. Corp. Code § 25212(i)) (emphasis added).

23 **IV.**

24 **CONCLUSION**

25 Synapse Brokerage LLC violated Corporations Code 25241 and Cal. Code Regs. tit. 10,  
 26 sections 260.241(a), 260.216.12(a), and 260.241.2(d)(1) by failing to produce required records,  
 27 failing to maintain its required net capital, and failing to file required reports.

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WHEREFORE, based on the foregoing, the Commissioner finds that grounds exist, and that it is in the public interest, to revoke the broker-dealer certificate of Synapse Brokerage LLC pursuant to Corporations Code 25212(i). The Commissioner hereby notifies Synapse Brokerage LLC of her intention to make this revocation order final.

Dated: October 11, 2024  
San Diego, California

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

By: \_\_\_\_\_  
Melissa Acevedo  
Counsel  
Enforcement Division