Embattled brokerage argues SEC copied a FINRA case

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By Tobias Salinger, [Financial Planning]

Alpine Securities, a brokerage fighting expulsion from FINRA and pursuing legal cases against its last two CEOs, has a new skirmish: A separate SEC matter it says should concern the whole industry.

Salt Lake City-based Alpine Securities has gotten mixed results in its lengthy and repeated run-ins with regulators. One affiliate under common ownership prevailed last year over FINRA when the SEC overturned a previous enforcement case. However, the brokerage also coughed up a civil penalty of $12 million because of a federal court's decision in another SEC case accusing the firm of anti-money laundering failures. And a different judge quickly tossed Alpine's lawsuit against FINRA last year alleging that hearings on Zoom violated its rights.

Its current SEC and FINRA cases revolve around the company's conduct as a brokerage that clears trades of stock in smaller companies, which are known in the industry as "small cap," "microcap" or "emerging" securities. The regulators allege Alpine charged exorbitant monthly fees of $5,000 per client and made $54 million worth of unauthorized trades….

Alpine's argument that the microcap brokerage business is becoming prohibitively expensive carries at least a kernel of truth among industry experts like longtime recruiter Jon Henschen of Henschen & Associates.

Anything that’s as “high-risk” as microcap stocks is “swimming against the current” of recent enforcement cases, Henschen said. He notes that there are “a lot of flaky firms out of Utah that have come and gone,” but Alpine displayed a significant amount of net capital in the filing last year. It’s facing an uphill climb in its quest to defeat the regulators, though.

“FINRA will always outspend them in litigation,” Henschen said. “It’s hard to swim against the wave of lawyers that can go after you.”

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