



**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2025-DFI-0010**

KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

v.

LEANNA VALLIE CANUP

RESPONDENT

AGREED ORDER

PARTIES

1. The Kentucky Department of Financial Institutions is responsible for administering the provisions of KRS Chapter 292, the Securities Act of Kentucky ("the Act"), as well as any applicable rules, regulations, and orders entered pursuant to the Act.
2. Leanna Vallie Canup is a broker dealer agent and investment adviser representative on behalf of Merrill Lynch, Pierce, Fenner & Smith, Inc (hereinafter "Merrill Lynch").

STATEMENT OF FACTS

3. On December 5, 2023, the Department received a consumer complaint regarding Leanna Vallie Canup. The consumer complainant, Monica Harlan, was the daughter and court-appointed guardian of the affected consumer, Montie Rice. The Department learned the following information upon its investigation.
4. In August 2023, Mrs. Harlan was appointed guardian of Montie Rice. Pursuant to her guardianship duties, Mrs. Harlan proceeded thereafter to acquire control of Mr. Rice's financial affairs and accounts, including an account maintained by Merrill Lynch.
5. When Mrs. Harlan approached Merrill Lynch about acquiring account access, the company insisted that it required the pertinent court documents to be issued within the last sixty days before

the firm would recognize Mrs. Harlan as guardian. Mrs. Harlan possessed a court order granting her guardianship over Mr. Rice's financial affairs and accounts without an expiration date to this authority and duty, however, the court's documents were issued more than sixty days prior to the communications with Merrill Lynch. Merrill Lynch deemed the court's order insufficient pursuant to its sixty-day policy. The court did not issue any further documents in the guardianship matter that would meet Merrill Lynch's self-imposed recency policy.

6. Mrs. Harlan discussed her situation with Ms. Canup, who was Mr. Rice's Merrill Lynch broker-dealer agent and investment adviser representative for the account.

7. Shortly after Mrs. Harlan discussed the guardianship situation, Ms. Canup began placing orders for Mr. Rice's account and exercising discretionary authority on the account. Ms. Canup's activities on Mr. Rice's account were performed without obtaining express permission from Mr. Rice or Barbara Rice, who served as Mr. Rice's power of attorney. Ms. Canup sought permission from Mrs. Harlan through her authority as guardian of Mr. Rice despite Merrill Lynch policy not recognizing this as a valid authority to conduct account activity.

8. Ms. Canup also frequently communicated with Mrs. Harlan about the performed activities, including through her personal cell phone rather than a Merrill Lynch office line or a firm-issued cell phone. Mrs. Harlan relied on her court-granted guardianship to make decisions on the account during those calls and text messages.

9. Ms. Canup later advised Mrs. Harlan to participate on a recorded phone call wherein Mrs. Rice—utilizing her role as power of attorney—would grant Mrs. Harlan permissive authority over Mr. Rice's account. This process would create a record that Merrill Lynch policy would recognize without Mrs. Harlan needing to recertify her guardianship. The recording never transpired due to Mrs. Harlan believing that Mrs. Rice would not participate on such a call and Mrs. Harlan further

believing Ms. Canup had suggested—in response to concerns about Mrs. Rice’s participation—that Mrs. Harlan impersonate Mrs. Rice to complete the recording. Mrs. Harlan filed her consumer complaint with the Department shortly thereafter. When the Department asked Ms. Canup about the incident, Ms. Canup stated she believed Mrs. Harlan misunderstood the situation and Ms. Canup denied that she suggested Mrs. Harlan impersonate Mrs. Rice.

10. The Department contacted Merrill Lynch regarding the communications to Mrs. Harlan. The Department discovered that Merrill Lynch performed an internal investigation, however, Ms. Canup had not provided all pertinent text messages of the subject communication on her personal cell phone. The Department learned this after comparing what was provided to Merrill Lynch with the text messages from Mrs. Harlan’s cell phone containing more content about the subject incident. One particular text message that was not disclosed to Merrill Lynch was a message Mrs. Harlan sent in response to the conversation with Ms. Canup, wherein Mrs. Harlan stated that she did not feel comfortable impersonating Mrs. Rice and would feel more at ease going through her attorney to resolve the matter. Ms. Canup responded to Mrs. Harlan shortly thereafter with a text message outlining Merrill Lynch’s policy requiring a court appointment document dated within the last 60 days, that another document may need to be produced depending on when the court appointment document is received, and that Merrill Lynch will need to remove Mrs. Rice as power of attorney from the account. Ms. Canup did not address Mrs. Harlan’s implication that they had discussed impersonating Mrs. Rice.

STATUTORY AUTHORITY

11. KRS 292.310 states, in pertinent part,

- (1) “Agent” means any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities;

- (2) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account. "Broker-dealer" does not include an agent, issuer, bank, savings institution, or trust company;
...
- (12) "Investment adviser representative" means an individual employed by or associated with an investment adviser or covered adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendations or advice regarding securities should be given, provides investment advice or holds himself or herself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing.
...
- (19) "Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, life settlement investment, voting-trust certificate, certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; or, in general, any interest or instrument commonly known as a "security," or any certificate of interest in or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

12. 808 KAR 10:320, Section 1(b) states,

Section 1. (1) Pursuant to KRS 292.336(1)(a), a broker-dealer shall:

...
(b) Maintain his books and records in accordance with the applicable federal regulations, including 17 C.F.R. 240.17a-3 and 17 C.F.R. 240.17a-4.

13. 17 CFR 240.17a-4(b)(4) states,

(b) Every member, broker or dealer subject to § 240.17a-3 must preserve for a period of not less than three years, the first two years in an easily accessible place:

...
(4) Originals of all communications received and copies of all communications sent (and any approvals thereof) by the member, broker or dealer (including inter-office memoranda and communications) relating to its business as such, including all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public. As used in this paragraph (b)(4), the term communications includes sales scripts and recordings of telephone calls required to be maintained pursuant to section 15F(g)(1) of the Act (15 U.S.C. 78o-10(g)(1)).

14. 808 KAR 10:440 Section 1(28) states,

Section 1. Broker-dealers shall observe high standards of commercial honor and just and equitable principles of trade in their dealings with customers and the conduct of their business. The following acts and practices shall constitute violations of those standards and principles and shall be considered to be dishonest and unethical practices that may result in a fine, suspension, or revocation in proportion to the seriousness of the offense, pursuant to KRS 292.337(1):

...

(28) Failing to make requested records available to or otherwise impeding a representative of the Department of Financial Institutions conducting an authorized examination or investigation;

15. 808 KAR 10:110, Section 1(b) states,

Section 1. (1) Pursuant to KRS 292.336(1)(a), an investment adviser who maintains his principal place of business in Kentucky shall:

...

(b) Maintain his books and records in accordance with the applicable federal regulations, including 17 C.F.R. 275.204-2.

16. 17 CFR 275.204-2(a)(7) states, in pertinent part,

(a) Every investment adviser registered or required to be registered under section 203 of the Act (15 U.S.C. 80b-3) shall make and keep true, accurate and current the following books and records relating to its investment advisory business;

...

(7) Originals of all written communications received and copies of all written communications sent by such investment adviser relating to:

(i) Any recommendation made or proposed to be made and any advice given or proposed to be given;

(ii) Any receipt, disbursement or delivery of funds or securities;

(iii) The placing or execution of any order to purchase or sell any security; and, for any transaction that is subject to the requirements of § 240.15c6-2(a) of this chapter, each confirmation received, and any allocation and each affirmation sent or received, with a date and time stamp for each allocation and affirmation that indicates when the allocation and affirmation was sent or received;

17. 808 KAR 10:450, Section 2(25) states:

Section 2. A person who is an investment adviser or an investment adviser representative shall be a fiduciary and shall have a duty to act primarily for the benefit of the person's clients. An investment adviser or investment adviser representative shall not engage, either directly or indirectly, in unethical or dishonest practices. The following acts and practices

shall constitute a breach of fiduciary duty or a dishonest and unethical practice, and violations may result in a fine, suspension, or revocation in proportion to the seriousness of the offense:

...

(25) Failing to make requested records available to or otherwise impeding a representative of the Department of Financial Institutions conducting an authorized examination or investigation;

18. KRS 292.470(3) states,

Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, the commissioner may in his or her discretion bring any or all of the following remedies:

...

(3) Issue a final order, after notice and an opportunity for a hearing, containing findings of fact and conclusions of law, directing any person or persons found to have engaged in, or about to be engaged in, activity that constitutes a violation of this chapter or any rule or order under this chapter:

(a) To cease and desist from the activity;

(b) To perform any other reasonable mandates directed by the commissioner pursuant to an appropriate remedy fashioned by the commissioner and reasonably calculated to carry out the provisions of this chapter; or

(c) To pay fines assessed under KRS 292.500(14) and costs assessed under KRS 292.500(15).

19. KRS 292.500(14) states,

The commissioner may impose civil fines against any person who violates any provision of this chapter or any rule or order or voluntary agreement entered into under this chapter. The fine shall not exceed twenty thousand dollars (\$20,000) per violation, except when the violation is directed at or results in monetary damage to one (1) or more individuals who are sixty (60) years of age or older, the commissioner may impose an additional fine not to exceed twenty thousand dollars (\$20,000) per violation. Each act or transaction which violates this chapter or administrative regulation, or orders or agreements entered into under this chapter, shall constitute a separate violation. Any employer or principal shall be jointly and severally liable for fines imposed in connection with the conduct of employees or agents.

VIOLATIONS

20. In contravention of 808 KAR 10:440 Section 1(28) and 808 KAR 10:450, Section 2(25), to the extent Ms. Canup was acting as a broker-dealer, investment adviser representative, or in

both capacities during the events referenced in the Statement of Facts, Ms. Canup failed to provide Merrill Lynch all pertinent text messages during their investigation into the matter with Mrs. Harlan, which were required to be kept by the firm pursuant to 808 KAR 10:320, 17 CFR 240.17a-4(b)(4), 808 KAR 10:110, and 17 CFR 275.204-2(a)(7). This failure to provide all pertinent information impeded the investigation of a representative of the Department of Financial Institutions into the matter once it was reported via consumer complaint. The Department discovered the missing text messages after the consumer provided them to the Department.

AGREEMENT AND ORDER

21. To resolve this matter without litigation or other adversarial proceedings, the Department and Leanna Vallie Canup agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

22. In the interest of economically and efficiently resolving the violations described herein, it is hereby **AGREED** and **ORDERED**:

- i. Ms. Canup neither admits to nor denies the Findings of Fact or Conclusions of Law.
- ii. In so finding this violation, the Department does not herein assert that Ms. Canup engaged in fraudulent, manipulative, or deceptive conduct. As such, this Agreed Order is not intended to form the basis for any disqualification under state or federal securities laws, or a disqualification under the rules or regulations of any securities or commodities regulator or self-regulatory organizations.
- iii. Leanna Vallie Canup shall cease and desist from further communications violating Merrill Lynch policy;

- iv. Leanna Vallie Canup shall comply in the future with record requirements to maintain and provide all pertinent communications requested pursuant to internal investigations and Department investigations;
- v. Leanna Vallie Canup waives the right to demand a hearing at which she would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on her behalf, or to otherwise appeal or set aside this Agreed Order;
- vi. Leanna Vallie Canup consents to and acknowledges the jurisdiction of the Department over this matter and that this Agreed Order is a matter of public record and may be disseminated as such;
- vii. In consideration of execution of this Agreed Order, Leanna Vallie Canup, for herself and for her successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the Kentucky Department of Financial Institutions, the Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Leanna Vallie Canup ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement, or its administration;
- viii. By signing below, the parties acknowledge they have read the foregoing Agreed Order, fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties; and
- ix. This Agreed Order shall constitute the Final Order in this matter.

SO ORDERED on this the 20th day of November, 2025.

A handwritten signature in black ink, reading "Marni Rock Gibson", written over a horizontal line.

MARNI ROCK GIBSON
COMMISSIONER

Consented to:

On behalf of the Department of Financial Institutions,

This 20th day of November, 2025.

Marni Rock Gibson

Marni Rock Gibson, Commissioner
Department of Financial Institutions

and

On behalf of Leanna Vallie Canup,

This 29th day of October, 2025.

Leanna Vallie Canup

Leanna Vallie Canup

ACKNOWLEDGEMENT

STATE OF West Virginia)
COUNTY OF Cabell)

On this the day 29th of October, 2025, **Leanna Vallie Canup**, in my presence, acknowledged herself as the Respondent to this Agreed Order and did enter into and execute the foregoing instrument, on behalf of herself for the purposes therein contained, acknowledging the same.

My Commission Expires: 9/8/2027



Jill C. Surratt
Notary Public

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Agreed Order was sent on this the 20th day of November, 2025, by the method indicated below to the following:

Via certified mail, return receipt requested:

Leanna Vallie Canup
13535 State Route 217
Scottown, OH 45678
Respondent

Via electronic delivery:

Brandon Adcock
KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS
500 Mero Street
Frankfort, KY 40601
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Counsel for Department of Financial Institutions

Kentucky Department of Financial Institutions

Name: Quynh Reed

Title: Executive Staff Advisor