

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY ACTION NO. 2018-AH-00053**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

SHANEAL PATEL

RESPONDENT

FINAL ORDER

Comes now the Department of Financial Institutions (“DFI”), pursuant to Kentucky Revised Statute (“KRS”) 292.470, KRS 292.500 and 808 Kentucky Administrative Regulation (“KAR”) 10:225, by counsel, and hereby brings this **FINAL ORDER** against Shaneal Patel (“Patel”). In support thereof, DFI states as follows:

SERVICE OF THE ADMINISTRATIVE COMPLAINT

1. On December 4, 2018, DFI sent, via certified mail, a copy of an Administrative Complaint to Respondent’s, a former Kentucky resident, last known address of 229 Peachtree Street, Nashville, TN 37210. (A copy of the Administrative Complaint is attached). The Administrative Complaint was returned as unclaimed.

2. On January 7, 2019, DFI sent copies of an Administrative Complaint to an alternative address of 6 Hamilton Station Crossing, Apt. 312, Lebanon, TN 37087 for Patel via certified mail and Federal Express. The copies of the Administrative Complaint were returned as unclaimed.

3. The Department has attempted service on Patel at all known addresses of record. Patel failed to claim the certified mail and Federal Express mailing, has not responded to the

Administrative Complaint, nor provided a response in any form to the statutory or regulatory allegations. DFI now enters this Final Order.

STATEMENTS OF FACT

4. Between 2014 and 2016, Patel marketed himself as a broker-dealer and solicited investments, from several investors, in order to trade in highly speculative markets. Patel, by his own admission, had no formal training, knowledge or reasonably reliable skill base to be viewed as capable of trading in highly speculative options or volatile markets. Patel deposited investor money in a combined personal and investor trading account, in order to engage in online trading, with entities such as TD Ameritrade. Between 2014 and 2016, Patel lost all investor money due to highly speculative trading.

5. In September 2015, Patel solicited a Kentucky resident, CJ, to invest money in Patel's trading scheme. CJ initially invested one thousand dollars and signed an investor contract with Patel. Thereafter, Patel sent numerous text messages regarding purported substantial gains on CJ's investment, allegedly obtained through Patel's efforts. Subsequently, CJ invested another one thousand dollars with Patel.

6. After a few months, CJ requested a withdrawal of the invested money from Patel. After several text message exchanges, Patel confessed to CJ that he lost, through speculative trading, all of CJ's invested money. Subsequently, Patel promised to pay CJ back for the invested amount but failed to do so.

7. Thereafter, CJ filed a complaint with the SEC who forwarded the complaint to the Ohio Department of Commerce, Division of Securities ("Ohio Division of Securities"). The Ohio Division of Securities notified DFI of Patel and his securities-related activities. In addition, the

Ohio Division of Securities stated they received a complaint from an Ohio resident regarding the securities-related activities of Patel.

8. After receiving the complaint, DFI opened an investigation into the activities of Patel and participated in a joint investigation with the Ohio Division of Securities.

9. During the joint investigation, the Ohio Division of Securities enforcement attorney Roger Patrick interviewed Patel. During the course of this interview, Patel admitted to receiving investor funds, entering into investment contracts with investors, that he did not have a brokerage license in any state, that he lacked any formal training in trading or investing, and that CJ invested two thousand dollars with him. Patel also admitted that investors would deposit money into his account, either directly or through a Venmo account. This money was later transferred to Patel's personal account.

10. Furthermore, after reviewing bank account records, DFI discovered that Patel would transfer money from the Venmo account into his personal banking account and use investor money for personal expenses without disclosing this fact to investors.

11. In addition, Patel provided misleading information on his Twitter account to potential investors regarding his skill and trading activities.

12. As a result of the above-stated activities, Respondent engaged in the business of effecting transactions in securities as a broker-dealer but failed to register as a broker-dealer with DFI; provided misleading and deceptive information to investors; failed to provide necessary disclosures to investors in their investment contracts; and used investor money for undisclosed personal expenses.

STATUTORY AUTHORITY

13. KRS 292.310(2) defines "broker-dealer" as any person engaged in the business of effecting transactions in securities for the account of others or for his own account.
14. KRS 292.320 (1) states:
 - (1) It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:
 - (a) To employ any device, scheme, or artifice to defraud;
 - (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
 - (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
15. KRS 292.330 states " It is unlawful for any person to transact business in this state as a broker-dealer unless the person is registered under this chapter as a broker-dealer or is exempt from registration under subsection (2) of this section."
16. 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).”

17. 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.”

CONCLUSIONS OF LAW

18. Respondent transacted business in Kentucky, as stated above, as a broker-dealer but failed to register with DFI in violation of KRS 292.330.

19. Respondent employed a device and scheme, along with misrepresenting himself as a broker-dealer, which mislead investors. Respondent engaging in acts, practices, and a course of business, as stated above, which operated as a fraud or deceit upon investors, in violation of KRS 292.320(1).

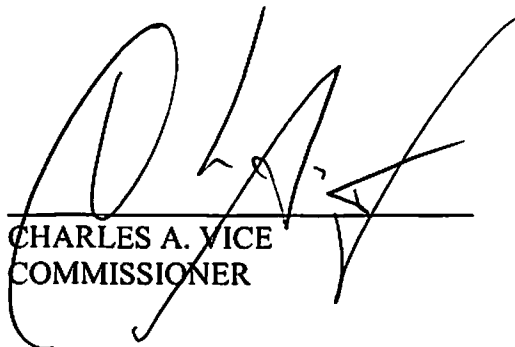
20. Furthermore, Respondent engaged in the deceptive use of investor money for personal expenses in violation of KRS 292.320(1).

ORDER

THEREFORE, based upon the foregoing Findings of Fact, Statutory Authority and Conclusions of Law, the Commissioner hereby ORDERS:

1. Respondent to pay a fine in the amount of fifteen thousand dollars (\$15,000.00) for violations of the Securities Act of Kentucky, pursuant to KRS 292.500(14);
2. Respondent to CEASE and DESIST from all unregistered activity in the state of Kentucky, pursuant to KRS 292.470(3)(a);
3. Respondent shall pay restitution to investors.
4. This is a FINAL and appealable Order.

IT IS SO ORDERED on this the 8th day of March, 2019.



CHARLES A. VICE
COMMISSIONER

Certificate of Service

I hereby certify that a copy of the foregoing **FINAL ORDER** was sent by certified mail return receipt requested on this the 13th day of March, 2019, to:

Shaneal Patel
229 Peachtree Street
Nashville TN 37210

Hand delivered to:

Catherine Falconer, Attorney
Department of Financial Institutions
1025 Capitol Center Drive, suite 200
Frankfort KY 40601

Allison Reed by Stacy Palm-Nease

Name: Allison Reed

Title: Executive Staff Advisor