

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934  
Release No. 104119 / September 29, 2025

Admin. Proc. File No. 3-22492

In the Matter of the Application of  
  
ARTHUR W. WOOD COMPANY, INC.  
  
For Review of Action Taken by  
  
FINRA

OPINION OF THE COMMISSION

REGISTERED SECURITIES ASSOCIATION — REVIEW OF FINRA ACTION

FINRA member firm filed an application for review of FINRA action expelling it for failing to file required reports. *Held*, application for review is *dismissed* for firm's failure to exhaust administrative remedies.

APPEARANCES:

*Donald P. McCarthy*, for Arthur W. Wood Company, Inc.

*Elizabeth Sisul*, for FINRA.

Appeal filed: July 10, 2025

Last brief received: August 5, 2025

Arthur W. Wood Company, Inc. (“Wood”) seeks review of FINRA action that automatically expelled the firm from FINRA membership for failing to file required reports after FINRA issued notices of suspension. After Wood moved to stay FINRA’s action pending the Commission’s consideration of its appeal, FINRA moved to dismiss Wood’s appeal on the basis that the firm did not exhaust its administrative remedies before FINRA. We grant FINRA’s motion to dismiss Wood’s application for review and also dismiss Wood’s motion for a stay as moot.

## I. Background

Rule 17a-5 of the Securities Exchange Act of 1934 required Wood to file with FINRA a Form Custody Report and a FOCUS Report for the quarter ending December 31, 2024, and an annual Schedule I FOCUS Report for 2024.<sup>1</sup> FINRA Rule 4524 also required Wood to file a Supplemental Statement of Income (SSOI) for the quarter ending December 31, 2024.<sup>2</sup> In February 2025, when the firm had failed to file any of these reports by their deadlines, FINRA sent Wood four separate notices (the “Suspension Notices”) under FINRA Rule 9552(a), three of which were sent on February 12 and the fourth on February 18.

The three suspension notices sent on February 12, 2025, were sent via courier to Wood’s business address as reflected in the Central Registration Depository (CRD) and were returned as undeliverable. Therefore, on February 14, 2025, FINRA sent these three notices again through FINRA Gateway, FINRA’s compliance portal, which provides FINRA members the ability to view outstanding FINRA requests and reporting requirements. Sending the notices through FINRA Gateway generated an email notification to Wood’s designated contact, its CEO Donald McCarthy. FINRA staff then spoke with McCarthy about the suspension notices the same day it sent the notices through FINRA Gateway, and he downloaded these three suspension notices on February 18, 2025. FINRA sent the fourth suspension notice on February 18, 2025, via courier to the same address in the CRD, and it was received by an “M. Donald” on February 19, 2025. FINRA staff also spoke with McCarthy multiple times about the status of the delinquent reports

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<sup>1</sup> FOCUS Reports are the “basic financial and operational report[s] required of those brokers or dealers subject to any minimum net capital requirement.” SEC Form X-17A-5 Part IIA (FOCUS Report), SEC, General Instructions, [https://www.sec.gov/files/formx-17a-5\\_2a.pdf](https://www.sec.gov/files/formx-17a-5_2a.pdf), at 1. Firms are also required to file on a quarterly basis a Form Custody Report detailing whether and how the firm maintains custody of securities and funds of its customers. On an annual basis, firms must also file a supplemental FOCUS report, referred to as “Schedule I,” which contains “general information designed to measure certain economic and financial characteristics of the registrant.” SEC Form X-17A-5 Schedule I, SEC, General Instructions, [https://www.sec.gov/files/formx-17a-5\\_schedi.pdf](https://www.sec.gov/files/formx-17a-5_schedi.pdf), at 1.

<sup>2</sup> The SSOI is a supplement to the FOCUS report and provides FINRA with more detail regarding a firm’s revenue and expense information, which enables FINRA to better understand the specific risks each firm faces and better allocate examination resources. *See Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, Adopting FINRA Rule 4524 (Supplemental FOCUS Information) and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Reports*, 77 Fed. Reg. 8938, 8938 (Feb. 15, 2012).

between issuing the Suspension Notices and the firm's expulsion. We thus find that Wood received—and was aware of—the Suspension Notices no later than February 19, 2025.

The Suspension Notices stated as follows:

- Wood's failure to file the required reports by March 10, 2025 (for the February 12 notices) or March 14 (for the February 18 notice), would result in an automatic suspension of the firm's membership on those dates.
- Wood could request a hearing before the suspension's effective date, which would then stay the suspension.
- If the suspension became effective, Wood could file a written request for FINRA to terminate the suspension within three months of the date of the suspension notice if the firm complied fully with its obligation to file the respective reports.
- If Wood did not fully comply with its filing obligation and request termination of the suspension within three months of the respective suspension notice, the firm would be automatically expelled from FINRA membership.

Wood took no action before FINRA to avoid suspension and, as a result, the suspensions became effective on March 10 and 14, 2025. Wood also made no effort to prevent its automatic expulsion from FINRA membership, and FINRA expelled the firm on July 9, 2025. FINRA notes in its motion to dismiss that it "waited beyond the three months" referenced in the Suspension Notices to expel Wood, "providing additional time for the Firm to file" the required reports. But Wood did not avail itself of this additional time (approximately one further month) to come into compliance before being expelled.

Wood instead filed an application for review with the Commission the day after its expulsion. As part of that application, Wood moved to stay the effectiveness of its expulsion pending Commission review on the merits. FINRA opposed the request for a stay but agreed to an interim stay until the Commission decided Wood's stay motion. FINRA now moves to dismiss Wood's application for review because, FINRA claims, the firm did not exhaust its administrative remedies for challenging its suspension and preventing its expulsion before FINRA. For the reasons below, we grant FINRA's motion to dismiss and dismiss Wood's stay motion as moot.

## II. Analysis

As the Commission has repeatedly held, "applicants who fail to exhaust administrative remedies before FINRA thereby forfeit any future challenge to FINRA's actions before the Commission."<sup>3</sup> This exhaustion requirement "promotes the development of a record in a forum

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<sup>3</sup> *Potomac Cap. Mkts., LLC*, Exchange Act Release No. 91172, 2021 WL 666510, at \*2 (Feb. 19, 2021); *see also, e.g., Patrick H. Dowd*, Exchange Act Release No. 83710, 2018 WL

particularly suited to create it, upon which the Commission and, subsequently, the courts can more effectively conduct their review.”<sup>4</sup> Dismissing Wood’s application furthers those interests.<sup>5</sup>

The Suspension Notices explained that Wood had two avenues for challenging its suspension and preventing expulsion: (1) request a hearing before the suspension took effect, or (2) file the required report and request termination of the suspension on that basis. Wood did neither. Instead, it took no action until it was automatically expelled after failing to take those steps, at which point it applied to the Commission for review and to stay the effectiveness of the expulsion.

Wood did not respond to FINRA’s motion to dismiss. In its application for review, it does not dispute that it received the Suspension Notices and failed to comply with their requirements. Indeed, Wood is acquainted with this process because FINRA expelled Wood through an expedited proceeding last year for failing to timely file its June 2024 FOCUS Report and Form Custody Report. However, because Wood belatedly filed those reports on the same day its expulsion became effective, FINRA vacated that expulsion, and as a result, the Commission dismissed the firm’s subsequent application for review as moot.<sup>6</sup>

In its latest petition for review, Wood states that it has been unable to hire a qualified Financial Operations Principal (FINOP) to prepare and submit the required reports “due to current financial constraints.” Wood further reports that it is “actively engaged in efforts” to raise funds and believes that within a “modest” amount of time it could “bring the firm into full compliance.” FINRA’s rules required Wood to explain any such reasons for noncompliance in a pre-suspension hearing with FINRA, and not wait to raise these arguments before the Commission in the first instance.<sup>7</sup> The Suspension Notices expressly informed Wood that it

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3584177, at \*4 (July 25, 2018) (holding that “we will not consider an application for review of FINRA action if that applicant failed to exhaust FINRA’s procedures for contesting the sanction”) (internal quotation marks omitted); *Gilbert Torres Martinez*, Exchange Act Release No. 69405, 2013 WL 1683913, at \*3 (Apr. 18, 2013) (observing that the Commission has “repeatedly” held that it will not consider an appeal where applicant failed to exhaust administrative remedies before FINRA and collecting cases); *cf. MFS Sec. Corp. v. SEC*, 380 F.3d 611, 621–24 (2d Cir. 2004) (affirming Commission’s finding that applicant had failed to exhaust administrative remedies before NYSE).

<sup>4</sup> *MFS Sec. Corp.*, 380 F.3d at 621.

<sup>5</sup> *Cf. Bournehill Inv. Servs., Inc.*, Exchange Act Release No. 103369, 2025 WL 1833318, at \*2 (July 2, 2025) (dismissing application for review for failure to exhaust administrative remedies prior to expulsion for failing to file audited annual report); *Lam Secs. Invs., Inc.*, Exchange Act Release No. 98671, 2023 WL 6389861, at \*2 (Oct. 2, 2023) (same).

<sup>6</sup> *See Wood (Arthur W.) Company, Inc.*, Exchange Act Release No. 102501, 2025 WL 641834 (Feb. 27, 2025).

<sup>7</sup> *See* FINRA Rule 9552(e) (providing procedures for requesting a hearing to contest suspension); Rule 9559(c)(1) (providing for automatic stay of suspension upon timely request for

could request such a hearing before a suspension took effect, during which its suspension would have been stayed. Had such a hearing occurred, FINRA would have been able to evaluate Wood's claims, and we would then have a record to review.<sup>8</sup> But Wood did not seek a hearing or otherwise make any attempts to engage in the process set forth in the Suspension Notices. Wood instead raised its arguments against FINRA's actions for the first time in its application for review with the Commission and then failed even to file any opposition to FINRA's motion to dismiss that application.

We accordingly dismiss Wood's application for review. Because we dismiss Wood's appeal, we also dismiss Wood's motion to stay its expulsion pending Commission review as moot.<sup>9</sup>

An appropriate order will issue.

By the Commission (Chairman ATKINS and Commissioners PEIRCE, CRENSHAW, and UYEDA).

Vanessa A. Countryman  
Secretary

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hearing); *Dowd*, 2018 WL 3584177, at \*3-5 (requiring applicant to present merits arguments to FINRA through established FINRA process before seeking Commission appeal).

<sup>8</sup> See *Lam Secs. Invs., Inc.*, 2023 WL 6389861, at \*2.

<sup>9</sup> Cf. *Good Vibration Shoes, Inc.*, Exchange Act Release No. 86574, 2019 WL 3554331, at \*1 n.1 (Aug. 5, 2019) (denying motion to stay FINRA action as moot upon dismissing underlying petition for review).

UNITED STATES OF AMERICA  
before the  
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ORDER DISMISSING APPLICATION FOR REVIEW

On the basis of the Commission's opinion issued this day, it is

ORDERED that the application for review filed by Arthur W. Wood Company, Inc., is dismissed, and it is further

ORDERED that Wood's motion to stay its expulsion pending Commission review is dismissed as moot.

By the Commission.

Vanessa A. Countryman  
Secretary