

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100225677-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Feltl & Company, Respondent
Broker-Dealer
CRD No. 6905

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Feltl & Company ("FLTL" or the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm became a member of FINRA in 1975, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review No. 20100225677, the staff of the Office of Fraud Detection and Market Intelligence (the "staff") conducted an investigation into potential insider trading activity at the firm in ante4, Inc., and also reviewed the firm's compliance with Section 15(f) of the Securities Exchange Act of 1934 ("the Exchange Act"), FINRA Rule 2010, and NASD Rule 3010 during the period of December 31, 2009 through August 2012 (the "review period"). As a result of their investigation, staff found that the firm failed to establish, maintain and enforce a supervisory system with supervisory procedures

reasonably designed to achieve compliance with Section 15(f) of the Exchange Act. Accordingly, staff found that the firm violated FINRA Rule 2010 and NASD Rule 3010.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, Section 15(f) of the Exchange Act required registered brokers or dealers to “establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of such broker’s or dealer’s business, to prevent the misuse ... of material, nonpublic information.”
2. During the review period, the firm’s written supervisory procedures specified that “compliance monitors trading activities in issues where the Firm might be in possession of material, non-public information through the use of the Firm’s Watch List.”
3. The firm’s written supervisory procedures also provided for a Watch List which “will include issues where the firm might be in possession of material, non-public information.” The written supervisory procedures further specified that trading in stocks on the Watch List was not forbidden, but “compliance will monitor daily trading to identify transactions in securities on the Watch List and take action as necessary.” The written supervisory procedures, however, did not establish reasonable procedures regarding how daily trading was to be monitored, and, if any suspicious trading was identified, what actions compliance should take. Additionally, the written supervisory procedures did not articulate factors to be considered when determining whether a security should be placed on the Watch List or Restricted List.
4. On December 31, 2009, ante4, Inc. engaged the firm to represent it in connection with a potential corporate merger, and ante4, Inc. was placed on the firm’s Watch List on January 6, 2010. The firm’s office was structured such that there were not reasonable physical barriers separating the investment banking staff from the retail brokerage staff. The merger transaction was closed on April 16, 2010, and the public announcement of the merger took place on April 19, 2010. Between January 6, 2010 and April 19, 2010, although trading in ante4, Inc. was monitored by the firm’s compliance department, it was never placed on the firm’s Restricted List.
5. Several of the firm’s registered representatives traded ante4, Inc. for their customers’ accounts, as well as for their own accounts, during the period between February 2010 and April 16, 2010.
6. The firm, however, did not contact or interview any of its registered representatives who traded ante4, Inc. while the security was on the firm’s Watch List. In addition, the firm failed to take reasonable steps to investigate the possibility that the firm’s registered representatives who traded ante4, Inc. had learned about the potential merger involving ante4, Inc. – a corporate transaction that the firm was working on at the same time that the trading in ante4, Inc. was taking place.

7. Based on the foregoing, the firm failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Section 15(f) of the Exchange Act.¹ The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$50,000.²

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

¹ 15 U.S.C. §78o(g). The Insider Trading and Securities Fraud Enforcement Act of 1988 added Section 15(f) to the Exchange Act, which was later renumbered as Section 15(g) (effective July 22, 2010) by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

² No undertaking to revise the firm's written supervisory procedures with respect to the area described in paragraph I.A.6 is being imposed because on November 2, 2015 a registered principal of the firm provided (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.6; and (3) the revised procedures were implemented on May 31, 2013.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

11/02/2015

Date

Respondent

Feltl & Company

By:

TH Steichen

Name:

Thomas Steichen

Title:

General Counsel

Reviewed by:

Jeff Ziesman, Esq.

Bryon Cave LLP

One Kansas City Place

1200 Main Street, Suite 3800

Kansas City, Missouri 64105

Accepted by FINRA:

11/2/15

Date

Signed on behalf of the

Director of ODA, by delegated authority

James J. Nixon/C.F.

James J. Nixon

Chief Litigation Counsel

Department of Market Regulation