

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011 029829001**

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

RE: First Integrity Capital Partners Corp., Respondent
Member Firm
CRD No. 146049

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, First Integrity Capital Partners Corp. 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. First Integrity 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

First Integrity is a FINRA member and has been such since May 2008. The firm maintains its principal place of business in West Palm Beach, Florida and also has two other branch offices. The firm currently has six registered persons. First Integrity is approved to conduct business in corporate debt securities, U.S. government securities, municipal debt/bonds, and private placements, and it also is approved to engage in proprietary trading.

RELEVANT DISCIPLINARY HISTORY

In August 2013, FINRA accepted AWC No. 2012030485301 from First Integrity, wherein the firm was censured and fined \$10,000 for inaccurately reporting 88 transactions to the Trade Reporting and Compliance Engine and for failing to create and maintain accurate books and records for 78 transactions, in violation of Section 17(a) of the Securities Exchange Act of 1934, SEC Rule 17a-3, FINRA Rules 6730, 4511, and 2010, and NASD Conduct Rule 3110(a).

OVERVIEW

First Integrity failed to establish and maintain a system, including written supervisory procedures ("WSPs"), reasonably designed to supervise its proprietary trading to achieve compliance with applicable securities laws and regulations and NASD and FINRA rules, in violation of NASD Rule 3010(a), (b) and FINRA Rule 2010. As a result of its supervisory deficiencies, the firm maintained inaccurate order tickets for 52 proprietary trades and also conducted securities business while net capital deficient on two days, in violation of Sections 15(c) and 17(a) of the Exchange Act, SEC Rules 15c3-1 and 17a-3(a)(7), NASD Rule 3110(a), and FINRA Rules 4110(b)(1) and 2010.

FACTS AND VIOLATIVE CONDUCT

Supervisory Violations

In 2011, First Integrity hired Trader X to engage in riskless principal trading for the firm, wherein Trader X could only simultaneously open and close a position in U.S. Treasuries. The firm later submitted a continuing membership application ("CMA") to conduct proprietary trading to FINRA, which was approved in August 2011. In connection with the CMA, First Integrity told Trader X that he could not trade a position in excess of \$5 million par value because of its capital constraints. First Integrity, however, failed to document the trading limitations in its WSPs or anywhere elsewhere.

By mid-July 2011, First Integrity was aware that at least three of Trader X's former member firms had alleged that Trader X had engaged in unauthorized trading while employed as a trader by them. Nevertheless, to supervise or monitor the proprietary trading of Trader X, which he conducted through his Bloomberg terminal, First Integrity relied entirely upon Trader X to provide it with accurate order tickets for his trades. The firm permitted Trader X to create the tickets on his Bloomberg terminal and required him to provide those tickets, instead of the order tickets automatically generated by Bloomberg for each trade, to an employee who handled administrative and back office matters for the firm. The employee then entered the trades into First Integrity's clearing system and checked the tickets to ensure that there were no open positions at the end of each trading day. The firm did not adequately supervise Trader X's trades on a real-time basis. Indeed, First Integrity's WSPs did not adequately describe how the firm would monitor its proprietary trading to ensure compliance with the imposed trading limits. The only way that First Integrity could have detected any irregularities with Trader X's trading was if and after a fail had occurred. In sum, the firm failed to establish and maintain a system, including WSPs, reasonably designed to supervise its proprietary trading. As a result of the foregoing, First Integrity violated NASD Rule 3010(a), (b) and FINRA Rule 2010.

Books and Records Violations

Because of First Integrity's deficient supervisory system, Trader X was able to place trades in excess of his trading authority. To accomplish this feat, Trader X submitted order tickets to First Integrity that contained false execution times, which incorrectly indicated that he was complying with the firm's limitations by simultaneously opening and closing positions of \$5 million par value. However, in certain instances, Trader X did not simultaneously open and close positions, as he left positions open for extended periods of time throughout a trading day, and he also opened positions in excess of his \$5 million par value limit. From September 6-16, 2011, Trader X submitted 52 order tickets to the firm with inaccurate execution times. By maintaining order tickets with inaccurate execution times, First Integrity violated Section 17(a) of the Exchange Act, SEC Rule 17a-3(a)(7), NASD Rule 3110(a), and FINRA Rule 2010.

Net Capital Violations

On Friday, September 16, 2011, Trader X opened a \$25 million par value short position in U.S. Treasuries in five trades for First Integrity. Because of its deficient supervisory system, First Integrity did not learn of the open position until the following Monday when the contra party contacted the firm about it. The position remained open until Tuesday, September 20, 2011 when the contra party informed First Integrity that it would buy the long position to lock the loss.

Because First Integrity engaged in proprietary trading, it was required to maintain minimum net capital of \$100,000. The haircut on the aforementioned \$25 million par value position, however, caused the firm's capital position to fall below its required minimum. As a result of the foregoing, First Integrity conducted securities business while net capital deficient on September 16 and 19, 2011. The firm's excess net capital on those two days was (\$1,236,232) and (\$347,789), respectively. By conducting securities business while net capital deficient, First Integrity violated Section 15(c) of the Exchange Act, SEC Rule 15c3-1, and FINRA Rules 4110(b)(1) and 2010.

B. First Integrity consents to the imposition of the following sanctions:

A censure and a \$10,000 fine.

First Integrity agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. First Integrity has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

First Integrity specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, First Integrity 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.

First Integrity 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

First Integrity 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 it; and

C. If accepted:

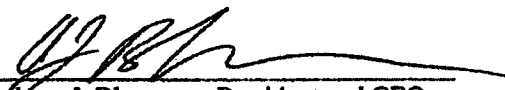
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. First Integrity 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 its: (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. First Integrity 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 First Integrity, 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 the firm has agreed to its 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.

First Integrity Capital Partners Corp.

11-18-13
Date (mm/dd/yyyy)

By: 
Andrew J. Bloemers, President and CEO

Reviewed by:



Mark David Hunter, Esq.
Hunter Taubman Weiss LLP
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Counsel for Respondent

Accepted by FINRA:

12/6/13
Date

Signed on behalf of the
Director of ODA, by delegated authority



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