

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034251801

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

RE: Craig Alan Umphress, Respondent
Former Registered Representative
CRD No. 1542238

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Craig Alan Umphress was registered as an Investment Company Products/Variable Contracts Representative with several different member firms between September 1985 and October 2012. From January 2003 to October 2012, he was registered with ING America Equities, Inc. While employed by ING America Equities, Inc. and its affiliated companies (collectively, "ING"), Umphress was responsible for wholesaling ING insurance products to insurance agents in his region. On October 2, 2012, ING America Equities, Inc. discharged Umphress for engaging in outside business activities without providing prompt written notice. Umphress is not currently registered with a FINRA member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws of the Corporation.

OVERVIEW

Umphress failed to notify his member firm of outside business activities through which he received more than \$150,000 in compensation. Between March 2007 and July 2012 (the "relevant time period"), Umphress used a corporation that he owned and controlled

to conduct insurance business and to receive referral fees for introducing insurance agents to potential customers who would purchase or sell non-ING insurance policies.

By failing to disclose his outside business activities to his member firm, Umphress violated FINRA Rule 3270 and NASD Rule 3030. By virtue of these violations, Umphress also violated FINRA Rule 2010 and NASD Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Facts

In March 2007, while employed as a registered representative at ING America Equities, Inc., Umphress formed an Illinois corporation named Big Block Consulting Group, Inc. Umphress was the sole shareholder, director, president, secretary, and treasurer of the corporation. From May 12, 2007 to July 25, 2012, Umphress used Big Block to conduct an insurance business for his individual customers and to receive referral fees for introducing insurance agents to potential customers who would purchase or sell non-ING insurance products. Through Big Block, Umphress received more than \$150,000 in compensation in the form of (i) renewal and service fees for his clients' existing insurance policies, and (ii) referral and introduction fees from various insurance agencies. The referral fees that Umphress received included fees for referrals to agencies whose clients were purchasing life insurance policies from the named insured, a process sometimes known as a "life settlement."

During the relevant time period, ING reminded Umphress of his obligation to disclose outside business activities through quarterly and annual compliance meetings, emails, and training. For example, in 2009, three days after he deposited \$979.17 in renewal fees to Big Block's bank account, Umphress completed his firm's annual compliance continuing education program. During that training, Umphress answered a multiple-choice question that reminded him that he was obligated to report to ING any business corporation that he formed on the advice of an accountant, even if he had not yet received any compensation from that entity. In spite of this, Umphress did not take any action to notify ING of his outside business activities through Big Block. Instead, Umphress repeatedly affirmed, both electronically and in writing, that he: (i) was not engaged in any outside business activity, (ii) understood that he could not be employed by, or receive any compensation from, any other person as a result of any outside business activity without the approval of his member firm, and (iii) was not in fact receiving any compensation in connection with any business activity performed on behalf of any other entity or person.

Some of the fees that Umphress received through Big Block were from insurance agencies he was responsible for servicing on behalf of ING. In spite of the conflict of interest between the receipt of those fees and his responsibility to ING as a wholesaler to those agencies, Umphress did not take any action to notify his member firm of the business activities he was conducting through Big Block.

In addition, approximately \$80,000 of the more than \$150,000 that Umphress received in compensation through Big Block were referral fees from insurance agencies whose clients were purchasing the life insurance policy from the named insured. Umphress knew that since May of 2005, ING had prohibited the issuance of life insurance policies that were intended to be resold. Despite his employer's procedures, Umphress both accepted and failed to disclose that he had accepted more than \$80,000 in referral fees from these non-ING transactions.

Violations

FINRA Rule 3270 provides that "no registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member." Before December 15, 2010, NASD Rule 3030, which was replaced by FINRA Rule 3270, provided that "no person associated with a member in any registered capacity shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member. Such notice shall be in the form required by the member."

As described above, between March 2007 and July 2012 Umphress failed to notify his member firm that he had received more than \$150,000 in compensation for servicing his own insurance clients and referring insurance agents to third parties who would purchase or sell non-ING products. Umphress received the compensation through a corporation he formed and solely controlled. Accordingly, Umphress violated FINRA Rule 3270 (on and after December 15, 2010) and NASD Rule 3030 (before December 15, 2010). By virtue of the other violations, Umphress also violated FINRA Rule 2010 (on and after December 15, 2008) and NASD Rule 2110 (before December 15, 2008).

B. I also consent to the imposition of the following sanctions:

- A suspension from associated with any FINRA member for one year; and,
- A fine of \$15,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the one year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am 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.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand 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 me; and

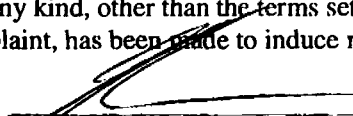
C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my: (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.

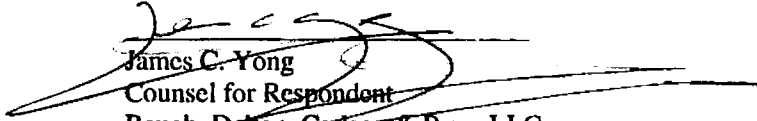
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

2/24/2014
Date (mm/dd/yyyy)


Respondent

Reviewed by:



James C. Yong
Counsel for Respondent
Baugh, Dalton, Carlson & Ryan LLC
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(312) 863-3675

Accepted by FINRA:

4/14/2014
Date

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



Thomas S. Kimbrell
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FINRA Department of Enforcement
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