

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120350265-01

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

RE: CV Brokerage, Inc, Respondent
Broker-Dealer
CRD No. 462

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, CV Brokerage, Inc (the "firm" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 FINRA member on July 1, 1965. Its registration remains in effect. The firm has no prior relevant disciplinary history.

SUMMARY

In Matter No. 20120350265, the Department of Market Regulation reviewed the firm's compliance with Rule 203(b)(1) of Regulation SHO during the period of January 1, 2011 through March 31, 2013 (the "Review Period"). The review resulted in certain findings of violations of Rule 203(b)(1) of Regulation SHO, NASD Rule 3010, and FINRA Rule 2010, as described below.

FACTS AND VIOLATIVE CONDUCT

- 1) Between January 3, 2011 and March 31, 2013, the firm allowed one non-broker-dealer entity to send orders to another broker dealer for execution via electronic communications connections and access rights for execution services the firm established and maintained with that other broker dealer.

- 2) Between January 3, 2011 and November 18, 2011 the aforementioned entity transmitted 8,379 short sale orders in equity securities in the manner described above, for which the firm did not borrow the security, enter into a bona-fide arrangement to borrow the security, or have reasonable grounds to believe that the security could be borrowed so that it could be delivered by the date delivery was due, and it did not document compliance with Rule 203(b)(1) of Regulation SHO.
 - 3) The firm, on 8,379 occasions, therefore accepted a short sale order in an equity security from another person without (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations of Rule 203(b)(1) of Regulation SHO.
 - 4) Between January 3, 2011 and March 31, 2013, the firm failed to adequately enforce its written supervisory procedures which called for reviews to ensure compliance with Rule 203(b)(1) of Regulation SHO; specifically, the firm failed to include short sale orders accepted in the manner described in paragraph I.A.1 above in its reviews. The conduct described constitutes violations of FINRA Rule 2010 and NASD Rule 3010.
- B. Respondent also consents to the imposition of the following sanctions:

Censure and a fine of 30,000 (20,000 for Regulation SHO violations, \$10,000 for supervision).

Respondent 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.

Respondent 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

Respondent 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondent 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

Respondent 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 Respondent; 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. Respondent 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. Respondent 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

D. Respondent 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.

8/26/2016
Date

By: Brenda Smith

Name: Brenda Smith

Title: President & COO

Counsel for Respondent

August 30, 2016
Date


James J. Nixon
Chief Litigation Counsel
FINRA Department of Market Regulation