

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035053701**

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

RE: Indiana Merchant Banking and Brokerage Co., Respondent
Member Firm
CRD No. 16315

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Indiana Merchant Banking and Brokerage Co. ("Respondent" or "Indiana Merchant") 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

Indiana Merchant has been a FINRA-registered firm since November 1985. The firm has six registered representatives and no branch offices.

RELEVANT DISCIPLINARY HISTORY

On June 7, 2011, FINRA accepted a Letter of Acceptance, Waiver and Consent (Case No. 2009016067901) with findings that Indiana Merchant: 1) failed to evidence review of incoming or outgoing electronic correspondence, in violation of NASD Rules 3010 and 2110 and MSRB Rule G-27; 2) failed to maintain electronic correspondence, in violation of SEC Rule 17a-4 and MSRB G-9; 3) failed to provide FINRA with required notifications and attestations regarding electronic storage media, in violation of SEC Rule 17a-4; 4) failed to have in place an audit system for the firm's electronic storage media, in violation of SEC

Rule 17a-4; and 5) failed to evidence distribution of the firm's privacy policy upon account opening and annually thereafter, in violation of Reg S-P, 17 CFR 248. Indiana Merchant was censured and fined \$20,000 for these violations.

OVERVIEW

Between July 2011 and November 2012 (the "relevant period"), Indiana Merchant Banking and Brokerage Co. ("Indiana Merchant" or the "firm") maintained a balance sheet that did not reflect all of the firm's liabilities, in violation of SEC Rule 17a-3(a)(2). In addition the firm maintained an inaccurate net capital computation and failed to calculate net capital on a monthly basis, in violation of SEC Rule 17a-3(a)(11). The firm committed related violations during the relevant period by filing five inaccurate FOCUS Reports, effecting securities transactions while in net capital deficiency, and maintaining a trial balance which was materially inaccurate, in violation of SEC Rules 17a-5, 15c3-1 and 17a-3, and FINRA Rule 2010. Lastly, the firm failed to adequately supervise the preparation of their books and records, and had inadequate written supervisory procedures in this regard, in violation of NASD Rule 3010 and 2010.

FACTS AND VIOLATIVE CONDUCT

Financial Records Violations

1. From July 2011 until November 2012, Indiana Merchant utilized the instrumentalities of interstate commerce to engage in securities transactions while failing to maintain its required minimum net capital.
2. These net capital violations arose from Indiana Merchant's failure to properly account for a \$20,000 fine imposed by FINRA.¹ Although the firm entered into a payment plan and made monthly payments to FINRA, beginning in July 2011, the fine was not included on the firm's balance sheet, which caused the firm's net capital to be overstated. Accordingly, Indiana Merchant failed to maintain an accurate balance sheet and net capital calculation.
3. From July 2011 through November 2012, Indiana Merchant failed to calculate its net capital on at least a monthly basis, and instead calculated quarterly, in correlation with the filing of its FOCUS reports.
4. Indiana Merchant filed inaccurate quarterly FOCUS Reports for five straight quarters, from September 30, 2011 through September 30, 2012.
5. In addition, from July 2011 through December 2012, Indiana Merchant failed to maintain an accurate trial balance.

¹ Case No. 2009016067901.

6. As a result of the foregoing conduct, Indiana Merchant violated SEC Rules 17a-3, 17a-3(a)(2), 17a-3(a)(11), 17a-5 and 15c3-1, and FINRA Rule 2010.

Supervisory Violations

7. From July 2011 through November 2012, Indiana Merchant used an outside accountant to book entries onto the firm's general ledger and prepare the firm's financial statements. These financial statements were then sent to the firm's outside compliance consultants for review. The accountants did not send any source documents to the consultants, and when the consultants reviewed the financial statements prepared by the accountant, the consultants did not refer to any source documents. Neither the outside accountant nor the outside compliance consultants were registered with FINRA.
8. Indiana Merchant's written supervisory procedures ("WSPs") did not include a process for the review of financial statements prepared by an outside accountant and reviewed by outside compliance consultants. Instead, the firm relied on the outside accountant's preparation of financial statements and the outside compliance consultant's review, without conducting any checks or reviewing supporting documentation.
9. As a result of these failures, Indiana Merchant failed to properly account for the monthly payments toward the \$20,000 fine, despite the fact that the payments were being made by the firm's officers.
10. As a result of the foregoing conduct, Indiana Merchant failed to adequately supervise the preparation of their financial books and records, and failed to maintain adequate WSPs, in violation of NASD Rules 3010 and 2010.

B. Indiana Merchant also consents to the imposition of the following sanctions:

A censure and a fine of \$10,000.¹

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

Indiana Merchant 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.

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

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 Respondent;
- 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

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 Respondent'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 Respondent'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. 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 Respondent'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. Respondent may attach a Corrective Action Statement ("Statement") to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

<remainder of page intentionally left blank>

The undersigned, on behalf of Respondent, 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 Respondent 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.

11/20/2014
Date (mm/dd/yyyy)


Indiana Merchant Banking and Brokerage Co.

By:  MANAGING DIRECTOR

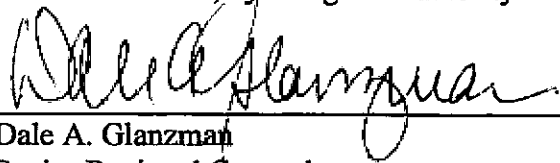
Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

March 20, 2015
Date

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


Dale A. Glanzman
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, IL 60613
(312)899-4312; (312)899-4600 (fax)

Attachment: Election of Payment Form