

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013036292101**

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

RE: Corporate Investments Group, Inc.
CRD No. 38690

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent, or Corporate Investments Group, Inc. ("CIG") 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

CIG became a member of FINRA and registered with the Securities and Exchange Commission on January 16, 1996. The firm has 3 non-registered branch locations and approximately 10 registered representatives. It derives the majority of its revenue from its retail equity and options business. CIG's membership with FINRA and registration with the SEC remain currently in effect. The firm does not have any recent relevant disciplinary history.

OVERVIEW

From approximately December 2010 through June 2012, CIG executed 91 option transactions in the accounts of approximately twenty customers and charged markups or markdowns which were excessive and unfair, in violation of NASD Rule 2440 and IM-2440-1, and FINRA Rule 2010. CIG also failed to establish, maintain and enforce adequate written supervisory procedures ("WSPs") related to proprietary and riskless principal trading and the establishment of fair prices related to securities transactions, in violation of NASD Rule 3010 and FINRA Rule 2010. Finally, CIG failed to (1) maintain accurate confirmations involving

options transactions, in violation of SEC Rule 10b-10, FINRA Rule 2360(b)(12), and FINRA Rule 2010, and (2) maintain accurate records of order tickets involving options transactions, in violation of SEC Rule 17a-3(a)(7), NASD Rule 3110 and FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

Unfair Options Prices

NASD Rule 2440 requires, in part, that, when a FINRA firm buys for its own account from its customer, or sells for its own account to its customer, "[it] shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that [it] is entitled to a profit; . . ."

NASD IM-2440-1 generally provides that the following factors should be taken into consideration when determining the fairness of mark-ups: the type of security involved; the availability of the security in the market; the price of the security (the percentage of mark-up generally increases as the price of the security decreases); the amount of money involved in the transaction (a transaction which involves a relatively small amount of money may warrant a higher percentage of mark-up); disclosure (with the caveat that a greater amount of disclosure cannot justify an unfair mark-up); the pattern of mark-ups; and the nature of the member's business (the cost of providing such services and facilities).

Between December 31, 2010 and June 28, 2012, CIG executed 91 option transactions on a riskless principal basis in the accounts of approximately twenty customers, with markups or markdowns ranging from 15% to 87%. In fact, 25 of those transactions involved markups or markdowns in excess of 25%. These transactions are described in further detail in Exhibit A, which is attached to this AWC and incorporated herein by reference. The total overcharges involving the aforementioned transactions amounted to \$5,381.97.

All of the options executed by CIG were listed on a national securities exchange, were highly liquid, did not require significant or special knowledge to execute and caused little, if any, risk to the firm. Furthermore, the firm incurred no unusual expense in executing the option transactions beyond normal charges from its clearing firm.

As a consequence, CIG violated NASD Rule 2440 and IM-2440-1 and FINRA Rule 2010.

Inadequate Written Supervisory Procedures

NASD Rule 3010(b) requires that “[e]ach member shall establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representative, ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules.”

Prior to March 1, 2012, CIG was approved to trade securities with the firm’s own money so as to make a profit for itself. CIG also effected riskless principal trades, which are trades made by the firm as a principal for the sole purpose of filling a particular customer order. It was the practice of the firm at the time to conduct proprietary trades and riskless principal trades in the same account.

On March 1, 2012, registered representative EG executed two trades involving the same option series. One was conducted on a proprietary basis for the benefit of the firm, while the other one was executed on a riskless principal basis for the benefit of customer WS.

One of the transactions resulted in a profit of approximately \$150, while the other transaction resulted in loss of approximately \$425. Without controls in place to determine whether a particular trade was conducted for the benefit of the firm or the benefit of the customer, such account activity presented a risk that trades resulting in a loss might automatically be allocated to a customer’s account.

Although CIG had procedures addressing proprietary trading and riskless principal trading, those procedures failed to address how the firm would effectively review an instance where a registered representative was simultaneously engaging in both types of trading involving the same security.

Additionally, although CIG had procedures addressing what considerations should be reviewed to ensure that markups and markdowns were fair and reasonable, those procedures failed to specify the nature of that review and how that review would be evidenced.

Based on its failure to establish, maintain and enforce adequate procedures, CIG violated NASD Rule 3010 and FINRA Rule 2010.

Inaccurate Confirmations

SEC Rule 10b-10, promulgated under the Securities Exchange Act of 1934, generally provides for confirmation of transactions. The rule requires that a broker-dealer disclose specified information in writing to a customer at or before completion of a transaction. FINRA Rule 2360(b)(12) specifically provides that a member promptly provide written confirmation for each options transaction, including whether it was effected on a principal or agency basis.

Between June 2010 and July 2012, CIG prepared 36 written confirmations in which it inaccurately stated that an option transaction was effected on an agency basis, when, in fact, it was conducted on a principal basis.

By failing to maintain accurate confirmations pertaining to options transactions, CIG violated SEC Rule 10b-10, FINRA Rule 2360(b)(12) and FINRA Rule 2010.

Inaccurate Books and Records

SEC Rule 17a-3(a)(7) requires that a firm shall make and keep current a memorandum of each brokerage order, including, but not limited to, the time of entry and the time of execution.

Between January 2009 and June 2012, CIG created order tickets that failed to contain the time of entry and the time of execution with regard to customer trades conducted on a riskless principal basis.

By failing to maintain accurate records of order tickets involving option transactions, CIG violated SEC Rule 17a-3(a)(7). NASD Rule 3110 (for those records not maintained and kept current prior to December 5, 2011), FINRA Rule 4511 (for those records not maintained and kept current on or after December 5, 2011) and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

1. Censure;
2. Fine in the amount of \$20,000; and
3. Disgorgement in the amount of \$5,381.97 (plus interest) to the affected customers.

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

Restitution, in the form of disgorgement of commissions in excess of 15%, is ordered to be paid to the customers listed in Exhibit A in the total amount of \$5,381.97, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from June 28, 2012, until the date this AWC is accepted by the NAC.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Richard A. March, FINRA Senior Regional Counsel, 55 West Monroe Street, Suite 2700,

Chicago, Illinois 60603, either by letter that identifies the Respondent and the case number (20130362921) or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

CIG 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

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 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, 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 Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 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 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 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.

The undersigned, on behalf of the 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 Respondent to submit it.

4/28/2013
Date

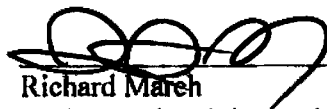
Corporate Investments Group, Inc.
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By: Mytana Presnell

Accepted by FINRA:

6-1-15
Date

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


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