

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130378622-01**

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

RE: C.L. King & Associates, Inc., Respondent
Broker-Dealer
CRD No. 6183

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, C.L. King & Associates, Inc. ("Respondent" or the "Firm") 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. 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 member of FINRA in December 1984, and its registration remains in effect. The Firm does not have a relevant disciplinary history.

SUMMARY AND OVERVIEW

In Matter No. 20130378622, the Department of Market Regulation's ("Market Regulation") Options Regulation Staff conducted a review of the Firm's compliance with the rules related to the reporting of options positions to the Options Clearing Corporation's ("OCC") Large Options Position Reporting ("LOPR") system for the period of April 1, 2013 through June 30, 2013, which was later expanded to include the period of January 19, 2010 through April 16, 2014 (the "Review Period").¹

LOPR data is used extensively by self-regulatory organizations ("SROs") to conduct surveillance for potential violations of securities laws and regulations, and the accuracy of LOPR data is essential for the analysis of potentially violative conduct.

¹ The Firm stopped trading options in 2Q14, it last submitted positions to the LOPR in June 2014, and those positions were subsequently closed in December 2014.

As a result of its reviews, Market Regulation determined that, during the Review Period, the Firm failed to report options positions to the LOPR in approximately 1,684 instances, and inaccurately reported options positions to the LOPR in approximately 40,855 instances, for a total of approximately 42,539 instances.² Though the majority of the reporting errors were caused by systems issues with the Firm's third-party vendors, the Firm is responsible for ensuring the proper reporting of positions to the LOPR. In addition, the Firm failed to establish and maintain adequate supervisory procedures, including an adequate system of follow-up and review, reasonably designed to ensure the proper reporting of positions to the LOPR.

FACTS AND VIOLATIVE CONDUCT

1. From January 19, 2010 through April 16, 2014, in approximately 360 instances, the Firm failed to report positions to the LOPR due to submission of the positions with the wrong effective date. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
2. From January 19, 2010 through April 16, 2014, in approximately 40,700 instances, the Firm inaccurately reported positions to the LOPR with errors in the account name, account address, tax identification and/or tax type data fields. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
3. From July 1, 2012 through October 30, 2012, in approximately 1,300 instances, the Firm failed to report positions to the LOPR due to a failure to properly aggregate accounts acting-in-concert. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
4. From July 16, 2012 through July 25, 2012, in approximately 24 instances, the Firm failed to resubmit rejected records to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
5. From July 16, 2012 through July 20, 2012, in approximately 155 instances, the Firm inaccurately over-reported positions to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

Supervision

6. During the Review Period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA Rules, concerning the reporting of positions to the LOPR. The conduct described in this paragraph constitutes a

² An "instance" is a single failure to report, or inaccurately report, a reportable option position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position was not reported or was reported incorrectly. When accounts acting in-concert hold in the aggregate a reportable position, each account's position, whether individually above the 200 contract threshold or not, must be reported to the OCC for LOPR purposes.

violation of NASD Rule 3010 and FINRA Rule 2010.

OTHER FACTORS

7. In determining to resolve this matter on the basis set forth herein, Market Regulation took into consideration that the Firm took prompt corrective action to fix certain issues, prior to notice from Staff.¹

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

A censure, and a fine of \$27,500.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) is 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 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.

¹ See Regulatory Notice 08-70.

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 the Firm; 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. The Firm 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 the Firm'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. The Firm 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 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 it has agreed to the AWC's 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.

Respondent C.L. King & Associates, Inc.

Date: 7/22/16
By: [Signature]
Name: Christopher Edwards
Title: COO

Reviewed by: [Signature]

Christopher Robertson
Seyfarth Shaw LLP
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Counsel for Respondent

Accepted by FINRA:

7/27/16
Date

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

[Signature]
Kenneth R. Bozza
Chief Counsel, Legal Section
Department of Market Regulation