

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039275801**

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

RE: Intercarolina Financial Services, Inc., Respondent
FINRA Member Firm
BD No. 19475

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Intercarolina Financial Services, Inc. ("Intercarolina") 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

Intercarolina has been a FINRA member firm since 1987. The firm's home office is located in Greensboro, North Carolina, and it currently has 50 registered representatives.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 1250 requires registered persons to complete a computer based training program, referred to as the Regulatory Element, on the second anniversary of their registration approval date and every three years thereafter. A person's initial registration date establishes the cycle of anniversary dates. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. If a registered person fails to complete the Regulatory Element within the prescribed time frame, his or her registration is deemed inactive and he or she is prohibited from engaging in or being compensated for activities requiring a securities registration until he or she satisfies the requirement.

NASD Rule 3010 requires member firms to establish and maintain a supervisory system and to establish, maintain and enforce written supervisory procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations.

FINRA Rule 2010 requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 1250 or NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

During the period from January 1, 2012 through May 30, 2014, Intercarolina failed to establish,

maintain and enforce an adequate supervisory system and written supervisory procedures to monitor its registered persons' Regulatory Element Continuing Education ("CE") status. During this period, fifteen registered persons were CE inactive for periods ranging from one to 469 days. Six of the fifteen registered persons conducted a securities business and received securities-related compensation while CE inactive.

Intercarolina's Chief Compliance Officer ("CCO") is the principal responsible for the firm's CE Program. During this period, he did not receive email notifications from FINRA's Central Registration Depository ("CRD") regarding Intercarolina registered persons' CE status because his email address on file with CRD was incorrect. The firm's only method to verify its registered persons' CE status was the email notifications sent by CRD. The firm's Written Supervisory Procedures ("WSPs") contained no procedures for compliance with the requirements of FINRA Rule 1250.

As a result of the foregoing conduct, Intercarolina violated FINRA Rules 1250 and 2010 and NASD Rules 3010(a) and (b).

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

- A censure and a \$20,000 fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 sanctions 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

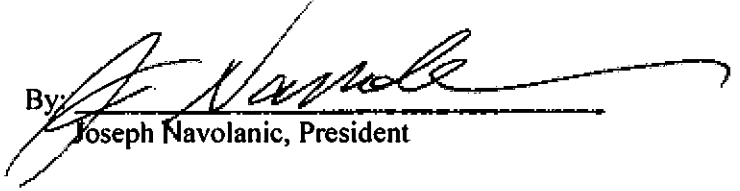
Respondent understands that:

- 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.

Intercarolina Financial Services, Inc.

June 13, 2014
Date

By: 
Joseph Navolanic, President

Accepted by FINRA:

July 6, 2014
Date

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


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