

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039415901**

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

RE: Center Street Securities, Inc., Respondent
Member Firm
[CRD No. 26898]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Center Street Securities, Inc. ("Center Street" 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 me 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

Center Street has been a FINRA member since February 1991. Center Street employs an independent contractor model and conducts a general securities business. Center Street employs approximately 102 registered persons that operate from 82 branch offices and its principal office is in Nashville, Tennessee.

RELEVANT DISCIPLINARY HISTORY

On December 16, 2013, Center Street was censured and fined \$30,000 by FINRA for failing to establish, maintain and enforce adequate supervisory systems and written supervisory procedures to appropriately monitor the use by associated persons of external email accounts to conduct firm related business in violation of Section 17(a) of the Securities Exchange Act of 1934, Rule 17a-4 thereunder, NASD Rules 3010 and 3110, FINRA Rules 4511 and 2010 and MSRB Rules G-9 and G-27.

OVERVIEW

Between May 2012 and January 2014, Center Street failed to conduct 18 branch examinations within three years as required by NASD Rule 3010(c). In addition, Center Street failed to establish, maintain and enforce a reasonable supervisory system and written supervisory procedures for the review and supervision of consolidated account reports ("consolidated reports") produced by registered representatives and provided to its customers, in violation of NASD Conduct Rules 3010(a), 3010(b), and 3010(d) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Branch Audits

NASD Rule 3010(c) required that a firm inspect each non-supervisory branch office at least once every three years. In accordance with Rule 3010(c), the Firm's procedures and an audit schedule prepared by the Firm also required inspection of non-supervisory branch offices at least once every three years. From May 2012 and January 2014 ("Relevant Period") Center Street had 67 branch offices. Several branch offices had low production, and the Firm expected that the branches would be closed; consequently, the Firm failed to conduct the required inspections. However, the branch offices at issue were not closed during the Relevant Period. Despite the requirement of NASD Rule 3010(c) and the increased risk presented by branches with low production, the Firm did not conduct the branch office inspections for 18 non-supervisory branches within a three year period.

As a result of the foregoing conduct, Center Street violated NASD Rule 3010(c) and FINRA Rule 2010.

Consolidated Reports

A consolidated report is a document provided by a broker to a customer that combines account information regarding certain or all of a customer's assets. Consolidated reports supplement, but do not replace, the customer account statements required pursuant to NASD Conduct Rule 2340. On April 8, 2010, FINRA issued Regulatory Notice 10-19 ("Notice") reminding member firms that consolidated reports are communications with the public by the firm and must be clear, accurate, and compliant with federal securities laws and FINRA Rules. The Notice cautioned that consolidated reports present a number of regulatory concerns, including the potential for communicating inaccurate, confusing or misleading information to customers, lapses in supervisory controls, and the use of these reports for fraudulent or unethical purposes. The Notice encouraged member firms to review the overall adequacy and effectiveness of their current policies and procedures relating to their consolidated reporting and warned that any member firm that could not adequately supervise consolidated reports prepared by its registered representatives must prohibit the dissemination of those

reports and take the necessary steps to ensure that its registered representatives comply with this prohibition. The Notice also stated that member firms should take reasonable steps to accurately reproduce information obtained regarding outside accounts and not to include information that is false or misleading in consolidated reports. Regardless of which specific practice a firm chose to adopt, the Notice directed that any firm that chose to provide consolidated reports to customers should ensure that the size and complexity of the consolidated reporting program did not exceed the firm's ability to supervise the activity and to subject it to a rigorous system of internal controls.

During the Relevant Period, at least 13 Center Street registered representatives used at least five different systems, including Microsoft Excel, to prepare and distribute consolidated reports to customers. Many of these systems allowed for manual entries. During the Relevant Period, Center Street registered representatives delivered approximately 1,294 consolidated reports to customers of the Firm by mail, email, or hand delivery. Center Street treated the consolidated reports as customer correspondence during the Relevant Period, and had procedures in place for review and record-keeping of such correspondence; however the Firm did not have supervisory procedures addressing the use and supervision of consolidated reports. Although Center Street represented to FINRA in May 2013 that it was in the process of updating its procedures to specifically address the preparation and dissemination of consolidated reports, the Firm failed to do so during the Relevant Period.

Due to the lack of procedures, the Firm did not have an adequate system to detect the use of consolidated reports by its registered representatives, had no system in place for verification of account assets, and had no system to verify valuation information provided to customers. Additionally, Center Street did not maintain any documentation demonstrating that consolidated reports were properly reviewed and maintained. Furthermore, in some instances, consolidated reports created by Center Street's registered representatives included inadequate disclosure language and, in other instances, failed to include any disclosure language.

As a result of the foregoing conduct, Center Street violated NASD Rule 3010(a), NASD Rule 3010(b), and NASD Rule 3010(d) and FINRA Rule 2010.

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

- A censure and a fine in the amount of \$50,000.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the monetary sanction 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 it; and
- C. If accepted:
1. this AWC will become part of my 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 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.

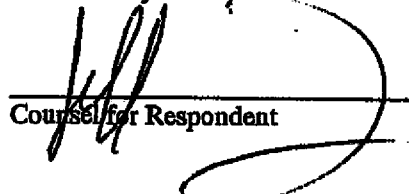
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, 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.

10/23/2015
Date (mm/dd/yyyy)


Center Street Securities, Inc., Respondent

By: Jack R. Thacker, President

Reviewed by:

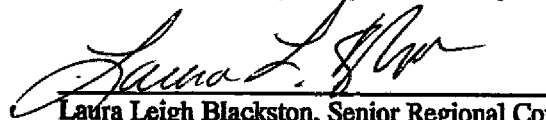

Counsel for Respondent

Accepted by FINRA:

November 24, 2015

Date

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



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