

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140394444-03**

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

RE: Carol Lipner, Respondent
CRD No. 4434543

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Carol Lipner ("Lipner" or "Respondent") 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

Lipner first became registered with the New York Stock Exchange, LLC in September 2002 and with FINRA in June 2005. From September 2002 to March 21, 2017, she was registered with eighteen different firms and was usually registered with multiple firms simultaneously. Among others, Lipner has held the Financial and Operations Principal (Series 27) and Operations Professional (Series 99) registrations.

From August 1, 2013, through April 14, 2016, Lipner was associated with DME Securities, LLC, where she was DME's chief financial officer ("CFO") and held FINRA registrations as both a Financial and Operations Principal ("Finop") and an Operations Professional. While she was associated with DME, she was associated with several other firms, including one period when she was simultaneously registered as a Finop with four other FINRA member firms, employed at an accounting firm, and employed by two other firms, one of which was a FINRA member firm, but where she was not registered until after her registration with DME had been terminated.

From December 15, 2016, through March 21, 2017, Lipner resigned from seven broker-dealers, and one broker dealer with which she was registered ceased operating. All eight firms were FINRA members, and in accordance with Lipner's resignations and the cessation of one firm's business, they filed Forms U5 to terminate her registrations in full. Lipner is no longer registered with any member.

Although Lipner has not been registered with a FINRA-regulated broker-dealer since March 21, 2017, FINRA retains jurisdiction over her pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Lipner does not have a disciplinary history.

SUMMARY

In Matter No. 20140394444, the Trading and Financial Compliance Examinations Section of FINRA's Department of Market Regulation conducted a 2014 cycle examination of DME and reviewed various areas of risk, including financial accounting controls and recording of cash balances for the period June 2014 through January 2015. The examination resulted in multiple findings, including that DME had conducted a securities business while failing to meet its minimum net capital requirements, committed other violations of the financial responsibility rules, and failed to provide adequate supervision.

In Matter No. 20150467916, a cause examination of DME resulted in findings of additional violations of the financial responsibility rules from July to December 2015, including DME's conducting a securities business while failing to meet its net capital requirements. More violations were uncovered in an investigation of the findings in the examinations.

In her capacity as DME's CFO and Finop, Lipner violated FINRA Rule 2010 by allowing or causing DME to commit the violations set forth below.

FACTS AND VIOLATIVE CONDUCT

1. FINRA Rule 2010 requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade."
2. NASD Rule 1022(b)(1) requires a FINRA member to designate as Limited Principal—Financial and Operations those persons associated with it, at least one of which shall be the firm's CFO, who perform the duties in NASD Rule 1022(b)(2), which imposes the following responsibilities:
 - (A) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
 - (B) final preparation of such reports;
 - (C) supervision of individuals who assist in the preparation of such reports;
 - (D) supervision of and responsibility for individuals who are

involved in the actual maintenance of the member's books and records from which such reports are derived;

- (E) supervision and/or performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;
 - (F) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; or
 - (G) any other matter involving the financial and operational management of the member.
3. Through NASD Rule 1022(b), a Finop is responsible for a firm's violations of the financial responsibility rules under the Securities Exchange Act of 1934 (the "Exchange Act"), which, pursuant to 17 C.F.R. § 240.3a40-1, include any rule adopted under Section 17(a) of the Exchange Act, any rule adopted by any self-regulatory organization relating to capital, margin and recordkeeping, and any other rule adopted by the Securities and Exchange Commission ("SEC") or any self-regulatory organization relating to the protection of funds or securities.

Net Capital Violations

4. Section 15(c)(3)(A) of the Exchange Act, 15 U.S.C. §78o(c)(3)(A), prohibits a broker-dealer from engaging in a securities business if its net capital falls below the minimum amount required by SEC Rule 15c3-1, 17 C.F.R. §240.15c3-1. FINRA Rule 4110(b)(1) requires a member to suspend all business operations during any period in which it is not in compliance with the net capital requirements in Rule 15c3-1.
5. SEC Rule 15c3-1 establishes minimum net capital requirements for broker-dealers. A broker-dealer must maintain net capital that is the greater of the highest minimum requirement applicable to its ratio requirement under SEC Rule 15c3-1(a)(1) or to any of its activities under Rule 15c3-1(a)(2). Under the aggregate indebtedness standard in Rule 15c3-1(a)(1), its minimum net capital must equal at least $6^{2/3}$ percent of its aggregate indebtedness. Under Rule 15c3-1(a)(2)(vi), a broker-dealer must maintain at least \$5,000 of net capital if it does not receive or hold funds or securities for customers or owe funds or securities to customers, and if it does not carry customer accounts or engage in certain other activities. Under these rules, DME was required to maintain the higher of \$5,000 or $6^{2/3}$ percent of its aggregate indebtedness as its minimum net capital.
6. NASD Rule 1014 sets forth requirements for FINRA to consider in granting membership to applicants. It requires that a firm be "capable of maintaining a level of net capital in excess of the minimum net capital requirements set forth in SEC Rule 15c3-1 adequate to support the Applicant's intended business operations on a continuing basis." A firm that fails to maintain its net capital level may be charged

under Rule 1014 with violating its membership agreement.

7. Finops can be held liable for violating FINRA Rule 2010 by failing to ensure that a firm ceases conducting a securities business while the firm's net capital is deficient and for causing a firm to violate its membership agreement by failing to maintain its required minimum net capital.
8. From at least May 31, 2014, through February 18, 2015, DME repeatedly conducted a securities business while in a net capital deficiency in violation of Section 15(c) of the Exchange Act, SEC Rule 15c3-1, FINRA Rule 4110(b)(1), and NASD Rule 1014. See Appendix A. The firm attributed the deficiencies to a substantial loss in May 2014 and decreases in income thereafter. The firm failed to meet its minimum net capital requirements in May 2015, and after the firm was cited in an examination report dated June 9, 2015, for net capital deficiencies, DME continued conducting a securities business from June through December 2015 while failing to meet its minimum net capital requirement. See Appendix B.
9. Lipner was the firm's Finop and CFO, and she was therefore responsible for ensuring DME's compliance with its minimum net capital requirements.
10. Lipner, as the firm's Finop and CFO, violated FINRA Rule 2010 by permitting DME Securities to violate Section 15(c) of the Exchange Act, Rule 15c3-1 thereunder, FINRA Rule 4110(b)(1), and NASD Rule 1014 by conducting a securities business while failing to meet its minimum net capital requirement.

Failure to Timely Report Net Capital Deficiencies to the SEC and FINRA

11. SEC Rule 17a-11(b)(1), 17 C.F.R. §240.17a-11(b)(1), requires a broker-dealer whose net capital declines below the minimum amount required pursuant to §240.15c3-1 to give notice of the deficiency that same day in accordance with paragraph (g). Paragraph (g) requires the broker-dealer to provide a notice under Rule 17a-11 to the SEC's principal office in Washington, D.C., to the SEC's regional office in which the broker-dealer has its principal place of business, and to the designated examining authority of which the broker-dealer is a member. FINRA was DME's designated examining authority. SEC Rule 17a-11(c)(3) requires every broker-dealer whose net capital is less than 120 percent of its required minimum net capital to give prompt notice (within 24 hours) to both FINRA and the SEC.
12. As set forth in Appendix A, Lipner, in her capacity as DME's CFO and Finop, consistently reported DME's net capital deficiencies to the SEC and FINRA several weeks late. Generally, while preparing financial reports or FOCUS reports in the second half of each month, Lipner discovered a deficiency that had existed on the last day of the prior month. In four instances, she initially reported a deficiency for one day, and then filed another notice to show that the deficiency had lasted for several weeks. (See Appendix A, Nos. 1(a) and 2(a), Nos. 6 and 7, Nos. 8 and 9, and Nos. 10, 11, 12.)

13. DME's late filings of notices of net capital deficiencies violated SEC Rule 17a-11(b)(1).
14. On April 16, 2015, DME submitted a notice that its capital had fallen below 120 percent of its required net capital for the period August 31 to October 24, 2014. By submitting the notice more than 24 hours after its net capital was less than 120 percent of its required minimum net capital, DME violated SEC Rule 17a-11(c)(3).
15. Lipner, as the firm's CFO and Finop, violated FINRA Rule 2010 by causing the firm to violate SEC Rules 17a-11(b)(1) and 17a-11(c)(3).

Improper Classification of Receivables and Calculation of Net Capital

16. Section 17(a)(1) of the Exchange Act, 17 U.S.C. § 78q(a)(1), requires a broker-dealer to make and keep records that the SEC prescribes. SEC Rule 17a-3(a)(2), 17 C.F.R. §240.17a-3(a)(2), requires a broker-dealer to make and keep records reflecting all assets and liabilities, and income, expense, and capital accounts. SEC Rule 17a-3(a)(11), 17 C.F.R. §240.17a-3(a)(11), requires a broker-dealer to make and keep "[a] record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to §240.15c3-1." SEC Rule 17a-5(a)(2)(iii), 17 C.F.R. § 240.17a-5(a)(2)(iii), requires a broker-dealer that does not clear transactions or carry customer accounts to file Form X-17A-5, a Financial and Operational Combined Uniform Single Report ("FOCUS report"), showing, among other items, the firm's allowable and non-allowable receivables from broker-dealers, net capital balance, minimum net capital requirement, and excess net capital. FINRA Rule 4511 requires members to make and preserve books and records as required under the Exchange Act, applicable Exchange Act rules, and FINRA rules.
17. From at least May 2014 through October 2014, DME failed to compute its accounts receivable and net capital correctly in that it classified a non-allowable receivable from another broker-dealer as an allowable receivable. As a result, the firm improperly increased its accounts receivable and net capital by \$5,710 and understated its net capital deficiency by \$5,710 in its FOCUS report for the quarter ended June 30, 2014. Furthermore, it improperly increased its accounts receivable and net capital by \$5,045 and understated its net capital deficiency by \$5,045 for the quarter ended September 30, 2014. On June 10, 2015, the firm submitted corrected FOCUS reports.
18. As a result of the misclassification, DME understated its net capital and net capital deficiencies each time it reported a deficiency to the SEC and FINRA, and inaccurately calculated that it had met its minimum net capital requirement in August 2014, when the corrected amount of allowable receivables ultimately resulted in a deficiency during that month. (See Appendix A, Items 1, 2, 3, 4, and 5.) DME's misclassification of the non-allowable receivable on its balance sheet also resulted in DME's books and records being inaccurate.

19. Lipner, as DME's CFO and Finop, violated FINRA Rule 2010 by permitting DME to violate Section 17(a) of the Exchange Act, SEC Rules 17a-3(a)(2) and (11) and 17a-5(a)(2)(iii), and FINRA Rules 4511 and 2010.

Improper Inclusion of Personal Expenses in Firm's Records

20. DME violated Section 17(a)(1) of the Exchange Act, SEC Rules 17a-3(a)(2) and 17a-5(a)(2)(iii), and FINRA Rule 4511 by recording a personal expense as a business expense of the firm. In August 2015, DME recorded its owner's personal expense of \$1,426 as the firm's expense, which caused inaccuracies in the firm's FOCUS reports for the periods August 1 to August 31, 2015, and July 1 to September 30, 2015, in that the FOCUS reports overstated the firm's reported expenses.
21. Lipner, as DME's CFO and Finop, violated FINRA Rule 2010 by causing or allowing DME to violate Section 17(a)(1) of the Exchange Act, SEC Rules 17a-3(a)(2) and 17a-5(a)(2)(iii), and FINRA Rule 4511.

Improper Withdrawals of Capital

22. SEC Rule 15c3-1(e)(2), 17 C.F.R. § 15c3-1(e)(2), states that no equity capital of a broker-dealer may be withdrawn if, after giving effect to that and any other withdrawals, the broker-dealer's net capital would be less than 120 percent of the minimum amount required by SEC Rule 15c3-1(a). FINRA Rule 4110(c)(1) states that no equity capital of a member may be withdrawn for a period of one year from the date the equity capital is contributed unless otherwise permitted by FINRA in writing.
23. On January 30, 2015, the owner of DME contributed \$35,000 to rectify a net capital deficiency of \$30,479 that the firm had reported the same day. He then withdrew the \$35,000 on February 2, 2015. On February 19, 2015, the owner deposited \$23,000 to rectify a net capital deficiency of \$18,109 that DME later reported on February 23, 2015. In July 2015, the owner withdrew \$3,500 from the firm even though the firm ended the month with a net deficit of \$63,741. The owner's withdrawal of \$35,000 in February 2015 and \$3,500 in July 2015 violated SEC Rule 15c3-1(e)(2) and FINRA Rule 4110(c)(1).
24. Lipner, as DME's CFO and Finop, violated FINRA Rule 2010 by allowing the violations of SEC Rule 15c3-1(e)(2) and FINRA Rule 4110(c)(1).

Failure to File 2015 Annual Report

25. SEC Rule 17a-5(d), 17 C.F.R. § 240.17a-5(d)(5), requires a broker-dealer to file an annual report within 60 calendar days after the end of its fiscal year. FINRA Rule 9552(a) provides that the staff of FINRA may issue a written notice to a broker-dealer specifying a failure to provide any information or report required to be filed pursuant to FINRA rules and stating that failure to take corrective action within 21 days could result in the member's suspension. FINRA Rule 9552(h) states that a member that is

suspended pursuant to Rule 9552 and fails to request termination of the suspension within three months of issuance of the original notice will automatically be expelled.

26. DME's annual report for 2015 was due by February 29, 2016, but the firm failed to file the report. As a result, pursuant to FINRA Rule 9552, and by letter dated March 15, 2016, DME was suspended, effective April 8, 2016, for failing to file the annual report. DME did not request termination of the suspension.

27. Lipner, as DME's CFO and Finop, violated FINRA Rule 2010 by allowing DME to fail to file its annual report in violation of SEC Rule 17a-5(d).

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

A fine of \$17,500;

A suspension of 45 calendar days in all capacities; and

A requirement that she requalify by examination for the Financial and Operations Principal (Series 27) registration before returning to any FINRA member as a Finop.

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

Respondent specifically and voluntarily waives any right to claim that she is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, she may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

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 her;
- 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 her;
 - 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 she 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 certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that she understands and acknowledges that she 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 the firm to submit it.

12/5/17

Date

Respondent

Carol Lipner
Carol Lipner

Reviewed by:

Scott Goldstein
Scott Goldstein
Gusrae Kaplan Nusbaum PLLC
120 Wall Street, 25th Floor
New York, New York 10005
(212) 269-1400

Counsel for Respondent

Accepted by FINRA:

12/15/2017
Date

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

Robert A. Marchman /CB

Robert A. Marchman
Executive Vice President
FINRA Department of Market Regulation

Appendix A

Instances 1(a), 2(a), 3(a), and 5(a), highlighted in gray, were all notices that were incorrect because DME Securities misclassified non-allowable receivables as allowable. On June 17, 2015, the firm submitted a single corrected filing for each of the notices. Items 1(b), 2(b), 3(b), 4, and 5(b) were all from the same corrected filing.

Matter No. 20140394444, Review Period June 2014–January 2015							
No.	Dates of Deficiency	Date Discovered	Date Reported Electronically to FINRA	Date Reported by Letter to SEC and FINRA	DME's Minimum Net Capital Requirement*	DME's Actual Net Capital*	Amount of Deficiency*
1(a).	May 31, 2014			July 3, 2014	8,666	(52,998)	61,664
1(b).	May 31, 2014	June 17, 2015	June 17, 2015	June 17, 2015	\$8,666	\$(58,627)	67,293
2(a).	May 31–June 30, 2014	July 3, 2014		July 23, 2014	7,887	(45,754)	53,641
2(b).	June 30, 2014	June 17, 2015	June 17, 2015	June 17, 2015	7,887	(51,464)	59,351
3(a).	July 31, 2014	July 31, 2014		Aug. 25, 2014	8,273	(2,129)	10,402
3(b).	July 31, 2014	June 17, 2015	June 17, 2015	June 17, 2015	8,273	(6,291)	14,564
4.	August 31, 2014**	June 17, 2015	June 17, 2015	June 17, 2015	7,078	4,525	2,553
5(a).	September 30, 2014			Oct. 23, 2014	7,252	(7,126)	14,378
5(b).	September 30, 2014	June 17, 2015	June 17, 2015	June 17, 2015	7,253	(12,177)	19,430
6.	Oct. 31, 2014	Oct. 31, 2014		Nov. 25, 2014	8,040	(5,918)	13,958
7.	Oct. 31–Nov. 24, 2014	Nov. 25, 2014	Nov. 25, 2014		8,040	(5,918)	13,958
8.	Dec. 17, 2014			Dec. 18, 2014	7,467	(11,028)	18,495
9.	Nov. 30–Dec. 18, 2014	Dec. 17, 2014	Dec. 18, 2014		7,467	(11,028)	18,495
10.	Dec. 31, 2014			Jan. 27, 2015	8,219	(14,129)	22,348
11.	Dec. 31, 2014–Jan. 29, 2015			Jan. 30, 2015	8,182	(22,297)	30,479
12.	Dec. 31, 2014–Feb. 18, 2015	Jan. 27, 2015	Feb. 23, 2015	Feb. 23, 2015	7,541	(10,568)	18,109

*In instances when an electronic report to FINRA covers a range of days, the figures for the minimum net capital requirement and for DME's net capital are as of the most recent day of the period during which there were deficiencies. In instances in which the firm provided letters to the SEC and FINRA, the calculation was computed on the date of the letter, but as of the last date of the deficiency reported, except that the letter in Item 11, submitted on January 30, was computed on January 28, as of January 28 instead of January 29. The February report in Item 12 was calculated as of February 17 instead of February 18.

**In August 2014, DME miscalculated its receivables and net capital by including non-allowable receivables as allowable. The miscalculation resulted in a FOCUS report that showed DME meeting its net capital requirements, and thus, DME did not file a notice of deficiency with the SEC or FINRA. Accordingly, this appendix does not show the incorrect calculation in August 2014.

Appendix B

Matter No. 20150467916, Review Period July – December 2015

No.	Dates of Deficiency	DME's Minimum Net Capital Requirement	DME's Actual Net Capital*	Amount of Deficiency*
13.	May 31, 2015**	5,000	(15,822)	20,822
14.	June 30, 2015**	5,315	5,247	68
15.	Jul. 31, 2015	5,000	(63,741)	68,741
16.	Aug. 31, 2015	5,000	(57,645)	62,645
17.	Sept. 2015	5,000	(59,613)	64,613
18.	Oct. 2015	5,000	(70,826)	75,826
19.	Nov. 2015	5,000	(72,207)	77,207
20.	Dec. 2015	5,000	(85,269)	90,965

**Outside of examination review period.