

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015043297101**

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

RE: Carty & Company, Inc., Respondent
FINRA Member Firm
BD No. 7001

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Carty & Company, Inc. ("Carty") 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 Carty alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Carty 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

Carty has been a FINRA member since February 1976. Carty conducts a retail brokerage business, specifically dealing with principal trades in municipal securities, corporate debt securities, government securities, and mortgage and asset backed securities. Carty is headquartered in Memphis, Tennessee and has approximately 53 registered representatives. Carty does not have any relevant disciplinary history.

OVERVIEW

Carty effected 71 municipal bond transactions in amounts below the minimum denomination set for the bonds. Additionally, Carty failed to disclose to customers at the time of the trade that the transaction was being effected in an amount below the minimum denomination. Finally, while Carty had procedures, it did not have any systems or controls in place to monitor and prohibit sales below the minimum denomination.

As a result of the foregoing conduct, Carty violated Municipal Securities Rulemaking Board ("MSRB") Rules G-15(f), G-17 (for transactions executed before July 5, 2014), G-47 (for transactions executed after July 4, 2014) and G-27(b).

FACTS AND VIOLATIVE CONDUCT

MSRB Rule G-15(f) provides that brokers, dealers or municipal securities dealers shall not effect a customer transaction in municipal securities issued after June 1, 2002, in an amount lower than the minimum denomination of the issue, with certain exceptions not applicable in this matter.

MSRB Rule G-17 provides that each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons in the conduct of municipal securities or municipal advisory activities, and shall not engage in any deceptive, dishonest, or unfair practice. MSRB Notice 2002-05 provides that a dealer's failure to disclose an applicable minimum denomination, and to explain how this could affect the liquidity of the customer's position, would generally constitute a violation of Rule G-17. On July 5, 2014, MSRB Rule G-47 became effective. MSRB Rule G-47 effectively took the interpretative guidance regarding time of trade disclosures and codified them into a specific rule. As a result, any exceptions to time of trade disclosures prior to July 5, 2014 are violations of Rule G-17, and any exception thereafter are violations of Rule G-47.

MSRB Rule G-27(b) requires brokers, dealers and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Board rules.

During the period from March 18, 2013 through May 18, 2015, Carty effected 71 municipal bond transactions in amounts below the minimum denomination set for the bonds being sold. Additionally, Carty failed to disclose to the customer at the time of the trade that the amount of the transaction was being effected below the minimum denomination in 59 out of the 71 transactions. Finally, while Carty had written supervisory procedures prohibiting the sale of municipal securities to customers below the minimum denomination, subject to certain exceptions, it did not have any systems or controls in place to monitor and prohibit sales below the minimum denomination.

As a result of the foregoing conduct, Carty violated MSRB Rules G-15(f), G-17 (for transactions executed before July 5, 2014), G-47 (for transactions executed after July 4, 2014) and G-27(b).

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

- A censure; and
- A fine in the amount of \$30,000 (All of which pertains to the violations of MSRB Rules G-15(f), G-17, G-47 and G-27(b)).

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

Carty 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

Carty specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Carty;
- 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, Carty 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.

Carty 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

Carty 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 Carty; and
- C. If accepted:
 - 1. This AWC will become part of Carty's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Carty;
 - 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. Carty 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. Carty 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 Carty'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. Carty may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Carty 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 Carty, 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 Carty 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 Carty to submit it.

Carty & Company, Inc., Respondent

9-12-16
Date

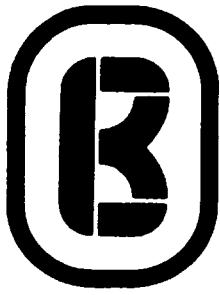
By: Bill R. Carty, CEO
Bill R. Carty, CEO

Accepted by FINRA:

10/6/16
Date

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

William Brice LaHue
William Brice LaHue, Senior Regional Counsel
FINRA, Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
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E-Mail: brice.lahue@finra.org
teresa.reich@finra.org (senior paralegal)



Carty & Company, Inc.

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September 7, 2016

William Brice La Hue
Senior Regional Counsel, FINRA, Department of Enforcement
Atlanta District Office
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, GA 30305-4808

RE: AWC Carty & Company, Inc. (BD 7001) Ex # 201504329701, **Statement of Corrective Action**

These Corrective Action Statements are submitted by the Respondent. They do not constitute factual or legal findings by FINRA, nor do they reflect the views of FINRA or its staff.

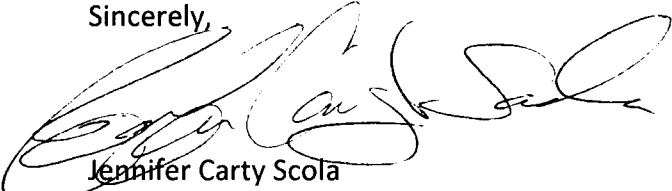
1. All customers were offered a choice of selling back the bonds to the firm at the market price and refunded any losses or adding additional bonds to make up the difference in the minimum denomination. Some clients opted to keep the amount of bonds they owned and did not opt for the buy back or the additional bonds. They were advised that holding bonds where the block did not meet the minimum denomination could adversely affect the liquidity of the position. Most clients made a profit when choosing to sell back their bonds and none of our clients suffered a loss.
2. We have updated our system and procedures concerning minimum denominations. The trader, when considering a purchase, is to check the increments section on the Bloomberg description of the bond. Once the desk gives a buy ticket to one of the support ladies to input the trade, she is required to print the first and second page of the Bloomberg description and check the increments section to be sure of the minimum denomination. The staff member will circle the increment to show they have checked it.
3. At the time, our confirmations were generated by Pershing and we did not have the capability to add a comment concerning minimum denomination to the confirmation. The 59 confirmations that did not disclose the minimum denomination issue were trades that Pershing's system was not aware of being

subject to minimum denomination. After this issue, Pershing has since changed the system where we are able to add a comment to the customer confirmation.

4. The FINRA monthly report card on minimum denom sales is checked by management and compliance and if there was a trade effected in a min denomination security, we would research further to be sure the sale wasn't below the minimum denom. We have not had any such trades.
5. Our WSPs concerning minimum denominations has been updated.

Carty & Company, Inc. strives at all times to be compliant with all of our industry's rules and regulations. We regret the inconvenience our clients may have suffered with our oversight and will stringently work to keep these mistakes from happening again.

Sincerely,



Jennifer Carty Scola
COO, CCO