

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015043332501**

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

RE: EK Riley Investments, LLC, Respondent
CRD No. 121003

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent EK Riley Investments, LLC ("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

Respondent became a member of FINRA in September 2002. Respondent is based in Seattle, Washington and conducts a general securities business. Respondent employs 59 registered persons who operate out of 25 branch offices.

Respondent has no relevant disciplinary history.

OVERVIEW

From April 4, 2014 through August 19, 2014, Respondent, in violation of MSRB Rule G-15(f), sold one issue of municipal bonds to customers in multiple transactions in amounts below the bonds' minimum denomination. Further, by effecting these transactions Respondent failed to enforce its procedures pertaining to minimum denominations in violation of MSRB Rule G-27(c).

FACTS AND VIOLATIVE CONDUCT

Issuers of municipal securities set minimum denominations for the purchase or sale of those securities and disclose the minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002, in an amount lower than the minimum denomination of the issue.

There are, however, two limited exceptions to MSRB Rule G-15(f)(i)'s prohibition on executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction. Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

MSRB Rule G-27(c) requires, among other items, that brokers, dealers, and municipal securities dealers enforce their written supervisory procedures.

Between April 4, 2014 and August 19, 2014, Respondent effected a total of 49 municipal bond transactions in accounts belonging to 28 customers that were in amounts below the offering's stated \$25,000 minimum denomination. The firm's written supervisory procedures with respect to minimum denominations followed the requirements of MSRB Rule G-15(f). None of the 49 municipal bond transactions fell within the exceptions to executing transactions below the minimum denomination detailed above, and the firm failed to enforce its written supervisory procedures when it effected the sales.¹

As a result of the foregoing, Respondent violated MSRB Rule G-15(f) and MSRB Rule G-27(c).

¹ Respondent has contacted all customers at issue and offered to liquidate the bonds that the customers purchased in amounts below the minimum denomination.

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

A censure and a \$45,000 fine.

Respondent agrees to pay the monetary sanction 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 sanction 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;**
- 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 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 he 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 Respondent's 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.

EK Riley Investments, LLC

10/4/2016
Date (mm/dd/yyyy)

By: [Signature]

Title: Chief Compliance Officer

Accepted by FINRA:

11/1/2016
Date

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

[Signature]

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