

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015043640601**

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

RE: B.C. Ziegler and Company, Respondent
CRD No. 61

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 it 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

B.C. Ziegler and Company ("Ziegler" or the "Firm") has been registered with FINRA since 1948. Ziegler is a full service brokerage firm headquartered in Chicago, Illinois. Ziegler has approximately thirty branches and one hundred ninety four registered individuals.

RELEVANT DISCIPLINARY HISTORY

On June 19, 2014, Ziegler entered into an AWC with FINRA in which Ziegler agreed to a censure and fine in the amount of \$150,000. In violation of NASD Rules 2210(d)(1)(A) and 2211(d)(1), MSRB Rule G-21, and FINRA Rules 3010 and 2010, the firm used sales material for debt issued by religious institutions and senior living facilities that lacked adequate risk disclosures and was not fair and balanced; and Ziegler failed to implement a supervisory system reasonably designed to ensure that all material information about religious institution debt was disclosed in, and factored into the pricing of, secondary market transactions (AWC No. 2011028571401).

OVERVIEW

This AWC arises from (i) customer transactions in municipal debt securities in amounts below the applicable minimum denomination and (ii) untimely underwriting disclosures. Specifically, Ziegler effected customer transactions below the minimum denomination on three occasions without determining that the position being purchased was the result of the liquidation of an entire position already below the minimum denomination, in violation of MSRB Rule G-15(f). Ziegler also effected transactions below the minimum denomination on fifty-two occasions without providing the written statement required by MSRB Rule G-15(f)(iii), in violation of that Rule and MSRB Rule G-17. In addition, in eight municipal underwritings, Ziegler's disclosure to conduit issuers of a business relationship representing a potential conflict of interest was not made at the earliest opportunity, in violation of MSRB Rule G-17.

FACTS AND VIOLATIVE CONDUCT

1. Minimum Denomination Transactions

Ziegler's business includes effecting customer orders in municipal securities and it did so between December 2013 and May 2015.

During this time MSRB Rule G-15(f) generally prohibited brokers, dealers, or municipal securities dealers from effecting customer transactions in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

MSRB Rule G-15(f)(iii) contained an exception to this general prohibition. This exception permitted brokers, dealers, or municipal securities dealers to effect a customer transaction in municipal securities issued after June 1, 2002, in an amount lower than the minimum denomination, if the broker, dealer or municipal securities dealer determined that the securities position being sold was the result of a person liquidating an entire position already below the minimum denomination. In determining whether this was the case, a broker, dealer, or municipal securities dealer could rely upon customer account records in its possession or upon a written statement provided by the party from whom the securities were purchased.

On three occasions between September 2014 and May 2015, Ziegler effected a customer purchase of a municipal security, in an amount below the required minimum denomination, without first determining that the securities being purchased were the result of the liquidation of an entire position already below the minimum denomination, in violation of MSRB Rule G-15(f).

MSRB Rule G-15(f)(iii) contained additional requirements for permitted customer transactions in municipal securities in amounts lower than the minimum denomination of the issue. Specifically, MSRB Rule G-15(f)(iii) required that in these cases the customer be provided with, a written statement, at or before the completion of the transaction, informing the customer that the quantity of securities being sold was below the minimum denomination for the issue and that this may adversely affect the liquidity of the position unless the customer had other securities from the issue that could be combined to reach the minimum denomination. MSRB Notice 2002-05 provided that the failure to supply this written statement would generally constitute a violation of MSRB Rule G-17, which provided 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

On fifty-two occasions in December 2013, Ziegler effected customer transactions in a municipal security below the applicable minimum denomination without providing the written statement required by MSRB Rule G-15(f)(iii).

By virtue of the foregoing, Ziegler violated MSRB Rules G-15(f) and G-17.

2. Underwriting Disclosures

Ziegler's business includes acting as an underwriter in municipal offerings servicing "conduit borrowers" – private entities obligated to support the repayment of municipal debt securities issued by municipal "conduit issuers" on behalf of the private entities.

During May 2014 to December 2014, Ziegler was a party to a referral agreement to solicit conduit borrowers on behalf of a third-party registered investment advisor with whom it was formerly affiliated: ZCM. Ziegler would receive referral fee compensation if conduit borrowers retained ZCM to provide certain investment advisory services.

MSRB Rule G-17 imposes duties of fair practice on brokers, dealers and municipal securities dealers that are owed to issuers of municipal securities when acting as underwriters for issuers' new issues of municipal securities. As described in MSRB Notice 2012-38, these duties include, in relevant part, that the underwriter in a negotiated underwriting must disclose to the issuer its actual or potential material conflicts of interest with respect to such issuance. Such disclosures generally must be made when the underwriter is engaged to perform underwriting services (e.g., in an engagement letter).

Between May 2014 to December 2014, Ziegler failed to timely disclose to eight issuers in negotiated offerings, at the time of its underwriting engagement, the potential conflict of interest arising from its referral arrangement with ZCM. Ziegler provided written disclosures at the time of its engagement referencing its prior affiliation with ZCM, and later made written disclosures regarding the potential for referral fees thereafter, in issuer presentations or in connection with the preparation of official statements for the offering.

By virtue of the foregoing, Ziegler violated MSRB Rule G-17.

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

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

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) 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 Respondent;
- 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 Respondent, certifies that a person duly authorized to act on its behalf has read and understand 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.

7/11/17
Date (mm/dd/yyyy)


Respondent

B.C. ZIEGLER AND COMPANY

By: THOMAS R. PAPROCKI

Its: CEO

Reviewed by:



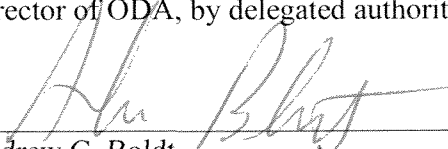
Lanny A. Schwartz
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Phone: (212) 450-4174
lanny.schwartz@davispolk.com
Counsel for Respondent

7/12/17

Accepted by FINRA:

7.19.17
Date

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



Andrew C. Boldt
Principal Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052
(312) 899-4400 (Phone)
(312) 899-4600 (Fax)