

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150465811-01**

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

RE: Centennial Securities Company, Inc., Respondent
Broker-Dealer
CRD No. 7763

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Centennial Securities Company, Inc. (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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on March 9, 1979, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In 20150465811, the staff in Market Regulation's Municipal Securities Trade Reporting Section (the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period December 1, 2013 through December 31, 2014 (the "review period").

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.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those 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. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to 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.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

FACTS AND VIOLATIVE CONDUCT

As a result of the review, the staff determined that during the review period:

1. The firm effected 25 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue that were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).
2. The firm failed to disclose all material facts concerning 36 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customer that the municipal securities transaction was in an amount below the minimum denomination of the issue. In Notice 2002-05, the MSRB stated that a dealer should consider a transaction below an issue's minimum denomination to

be a material fact that generally requires disclosure to the customer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (or MSRB Rule G-47 for transactions executed on or after July 5, 2014).

3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denominations as stated on relevant offering statements. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified person(s); (3) a statement as to how often such person should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

B. The firm also consents to the imposition of the following sanctions;

- A censure;
- A fine of \$45,000 (consisting of a fine of \$25,000 for the violations of MSRB Rule G-15(f), a fine of \$10,000 for the violations of MSRB Rule G-17/47 and a fine of \$10,000 for the violation of MSRB Rule G-27); and
- Rescission must be offered to the customers who executed the transactions listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customer for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to MarketRegulationComp@finra.org. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an

e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and (3) the date the revised procedures were implemented.

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

The firm 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

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

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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

The firm 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 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. The firm 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. The firm 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 the firm'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. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 understands all of the provisions of this AWC and has been given a

full opportunity to ask questions about it; that it 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.

6-19-17
Date

Respondent
Centennial Securities Company, Inc.

By: [Signature]

Name: Randall L Hansen

Title: President

Reviewed by:

[Signature]

Shane B. Hansen, Esq.
Counsel for Respondent
Warner Norcross & Judd LLP
900 Fifth Third Center
Grand Rapids, Michigan 49503-2487
Tel. (616) 752-2000

Accepted by FINRA:

7/17/17
Date

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

[Signature]
Tina Salehi Gubb, Esq.
Chief Counsel
Department of Market Regulation

Centennial Securities Company, Inc. ("CTNL")

Review Number: 20150465811

Review Period: December 1, 2013 through December 31, 2014

Exhibit A

Count	Firm	Trade Date	Trade Time	Buy/Sell	CUSIP	Price	Volume	XREF ID
1	CTNL	10/6/2014	16:11:00	S	594698KV3	105.887	5,000	401137279165124
2	CTNL	10/6/2014	16:11:00	S	594698KV3	105.887	10,000	401137279160882
3	CTNL	10/6/2014	16:11:00	S	594698KV3	105.887	15,000	401137279167531
4	CTNL	10/7/2014	10:52:00	S	594698KV3	103.887	5,000	401137280102300
5	CTNL	10/7/2014	15:12:00	S	594698KV3	105.887	5,000	401137280154973
6	CTNL	10/7/2014	15:12:00	S	594698KV3	105.887	25,000	401137280150388
7	CTNL	10/7/2014	15:13:00	S	594698KV3	105.887	15,000	401137280153147
8	CTNL	10/7/2014	15:14:00	S	594698KV3	105.887	10,000	401137280157436
9	CTNL	10/7/2014	15:14:00	S	594698KV3	105.887	20,000	401137280159973
10	CTNL	10/7/2014	15:15:00	S	594698KV3	105.887	20,000	401137280153650
11	CTNL	10/7/2014	15:15:00	S	594698KV3	105.887	20,000	401137280155812
12	CTNL	10/7/2014	15:16:00	S	594698KV3	105.887	5,000	401137280154420
13	CTNL	10/7/2014	15:16:00	S	594698KV3	105.887	10,000	401137280159642
14	CTNL	10/7/2014	15:16:00	S	594698KV3	105.887	15,000	401137280159907
15	CTNL	10/8/2014	13:39:00	S	594698KV3	105.887	35,000	401137281134643
16	CTNL	10/8/2014	13:39:00	S	594698KV3	105.887	35,000	401137281137786
17	CTNL	10/8/2014	14:36:00	S	594698KV3	105.887	5,000	401137281148634
18	CTNL	10/8/2014	14:36:00	S	594698KV3	105.887	5,000	401137281148926
19	CTNL	10/8/2014	14:36:00	S	594698KV3	105.887	10,000	401137281141410
20	CTNL	10/8/2014	14:36:00	S	594698KV3	105.887	10,000	401137281144497
21	CTNL	10/8/2014	14:36:00	S	594698KV3	105.887	20,000	401137281145177
22	CTNL	09/02/2014	15:38:00	S	594569BA2	97.250	5,000	401137245150123
23	CTNL	09/02/2014	15:38:00	S	594569BA2	97.250	5,000	401137245152117
24	CTNL	10/16/2014	13:21:00	S	594569BS3	99.250	15,000	401137289132780
25	CTNL	10/16/2014	13:21:00	S	594569BS3	99.250	15,000	401137289138038

Corrective Action Statement

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

The Firm has responded to these inadvertent below-minimum denomination trades with a number of corrective actions notably including:

1. The Firm has reviewed each of the affected client accounts and determined that these trades were and continue to be suitable and consistent with each client's investment objectives and circumstances. Indeed, these securities have performed and continue to pay above-average interest rates for tax exempt fixed income securities and there has been no adverse impact on liquidity or pricing.
2. The Firm has instituted a policy to require its bond trader to specifically review each issuance's official statement to identify minimum denominations and annotate the order ticket for all municipal transactions if a minimum denomination applies to secondary trading.
3. The Firm's Compliance Committee reviews FINRA's monthly Municipal Trade Reports. FINRA Monthly Municipal Trade Reports from 2015 (since becoming aware of the issue), 2016, and year-to-date 2017 indicate that no below-minimum trades have occurred.
4. The Firm is working with its clearing firm to try to develop and implement an automatic alert designed to trigger a red flag when a trade order is entered for a minimum denomination security, taking advantage of the clearing firm's existing ability to identify these securities and thereby automatically include the requisite trade confirmation disclosure required by Rule G-15(f). The Firm will also raise this issue with its fellow SIFMA Small Firm Committee member firms