

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016047743601**

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

RE: The Frazer Lanier Company, Incorporated, Respondent
Member Firm
[CRD No. 7089]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, The Frazer Lanier Company, Incorporated ("Frazer Lanier" or 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 Frazer Lanier alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Frazer Lanier 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

Frazer Lanier is a limited securities broker-dealer based in Montgomery, Alabama. The Firm has been a member of FINRA since March 26, 1976 and is also a member of the Municipal Securities Rulemaking Board ("MSRB"). The Firm employs 11 registered individuals and has 2 branch office locations.

RELEVANT DISCIPLINARY HISTORY

On April 24, 2013, Frazer Lanier accepted an AWC (Case No. 2012030384301) whereby Frazer Lanier was censured and fined \$5,000 for failing to timely submit interest rate reset information for Variable Rate Demand Obligations ("VRDOs") to the Short-Term Obligation Rate Transparency System in violation of MSRB Rule G-34.

OVERVIEW

Between July 9, 2012 and March 21, 2014, and between May 12, 2014 and April 14, 2016, Frazer Lanier failed to report transactions to the MSRB's Real-time Transaction Reporting System ("RTRS") and to FINRA's Trade Reporting and Compliance Engine ("TRACE"), respectively. In connection with the reporting failures, the Firm lacked adequate written supervisory procedures ("WSPs") with respect to MSRB and TRACE reporting. The Firm also lacked WSPs concerning third party payments to secure municipal securities business. By reason of the foregoing, Frazer Lanier violated MSRB Rules G-14 and G-27, NASD Conduct Rule 3010 (prior to December 1, 2014), and FINRA Rules 6730, 3110 (on or after December 1, 2014), and 2010.

FACTS AND VIOLATIVE CONDUCT

MSRB Reporting

MSRB Rule G-14 sets forth transaction reporting requirements for municipal securities. MSRB Rule G-14(b)(ii) provides that all broker-dealers have an ongoing obligation to report this information promptly, accurately and completely.

MSRB Rule G-27(a) requires broker-dealers to supervise the conduct of their municipal securities activities and to ensure compliance with MSRB rules. Furthermore, Rule G-27(c) requires each broker-dealer to adopt, maintain and enforce written supervisory procedures reasonably designed to ensure that the conduct of municipal securities activities is in compliance with the MSRB rules.

From July 9, 2012 through March 21, 2014, Frazer Lanier failed to report 95 out of 358 (or 27%) of new issue transactions to the Real-time Transaction Reporting System ("RTRS") in violation of MSRB Rule G-14. Specifically, this was in connection with the municipal underwriting review of 5 new issues wherein the Firm was the sole or lead underwriter. Frazer Lanier failed to report the original executed trade between the Firm and the contra party (most trades are with an investment advisor) to the RTRS. The Firm only reported the delivery from Frazer Lanier to the other broker-dealer, as instructed by the contra party, as a step-out trade. During the same time period, the Firm's WSPs with respect to MSRB reporting were inadequate because they did not specifically address how the Firm would ensure that its reporting responsibilities would be met in a timely and accurate manner.

By reason of the foregoing, Frazer Lanier violated MSRB Rules G-14 and G-27.

TRACE Reporting

FINRA Rule 6730 requires that each member that is a party to a TRACE eligible security transaction must report the transaction. Part (c) requires that each TRACE trade report contain various information.

FINRA Rule 3110(b) (formerly NASD Conduct Rule 3010(b)) requires a broker-dealer to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

From May 12, 2014 through April 14, 2016, Frazer Lanier failed to report all 68 of its non-municipal VRDO transactions to TRACE in violation of FINRA Rule 6730. Specifically, 52 transactions were related to new issues underwritten by the Firm and 16 transactions were related to remarketed or secondary transactions. During the review period, Frazer Lanier was not aware that the transactions were subject to a TRACE reporting requirement. During the same time period, the Firm's WSPs with respect to TRACE reporting were inadequate because they were outdated and excluded various rule amendments since 2009.

By reason of the foregoing, Frazer Lanier violated NASD Conduct Rule 3010 (prior to December 1, 2014), and FINRA Rules 6730, 3110 (on or after December 1, 2014), and 2010.

Supervision Related to Third Party Payments

From July 9, 2012 to February 28, 2014, Frazer Lanier made payments to third party entities where there were one or more individuals affiliated with an issuer with which the Firm has also conducted a municipal securities offering. In some instances, the Firm participated in municipal securities offerings where the affiliated municipal person may have had direct or indirect influence over the issuer, giving rise to a potential conflict of interest. However, the Firm failed to adopt, maintain and enforce WSPs reasonably designed to ensure that neither the Firm nor its municipal finance professionals are using payments to third parties, including political parties and non-dealer controlled political action committees, to contribute indirectly to an official of an issue in order to secure municipal securities business.

By reason of the foregoing, Frazer Lanier violated MSRB Rule G-27.

B. Frazer Lanier also consents to the imposition of the following sanctions:

A censure and a \$55,000 fine (\$35,000 of which pertains to the violations of MSRB Rules G-14 and G-27).

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

Frazer Lanier specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Frazer Lanier 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Frazer Lanier 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.

Frazer Lanier 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

Frazer Lanier 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 my: (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.**

