

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016047872901**

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

RE: Integrated Trading and Investments, Inc., Respondent
Member Firm
CRD No. 47730

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Integrated Trading and Investments, Inc. ("Integrated") 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. Integrated 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

Integrated became a FINRA member in December 1999. The firm is headquartered in Huntington Beach, California, employs four registered representatives, conducts a general securities business, and occasionally facilitates direct investments in variable annuities, mutual funds, and alternative investments. Integrated has no relevant disciplinary history.

OVERVIEW

Between January 2012 and July 2016 (the "relevant period"), Integrated (i) failed to maintain and preserve certain business-related emails in a non-erasable, non-rewritable format, also known as "WORM" format; (ii) failed to establish, maintain, and enforce a reasonably designed supervisory system relating to the review, maintenance and preservation of business-related emails; and (iii) failed to review and supervise certain business-related emails. As a result, Integrated violated Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act")

and Exchange Act, Rule 17a-4(f) thereunder, NASD Rule 3010, and FINRA Rules 3110, 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Integrated Failed to Preserve Certain Emails in WORM Format

Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rule 4511 require firms like Integrated to retain electronic communications relating to their securities business. Specifically, Section 17(a) of the Exchange Act requires firms to “keep for prescribed periods such records ... as the Commission, by rule, prescribes.” Exchange Act Rule 17a-4(f) permits firms to maintain and preserve certain firm records, including electronic communications, using electronic storage media (“ESM”) provided that the firm’s ESM preserves such records, among other qualifications, in a non-rewriteable, non-erasable format, also known as “WORM” (which stands for “write once, read many”) format. FINRA Rule 4511 requires firms to “preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” A violation of Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rule 4511 constitutes a violation of FINRA Rule 2010.

During the relevant period, Integrated allowed its registered representatives to use personal email accounts to conduct their securities business and preserved business-related emails using ESM. Until July 2013, the firm’s representatives were required to forward their business-related emails from their personal email accounts to the personal email address of the firm’s President/Chief Compliance Officer (“CCO”) for storage. These emails along with any other business-related emails sent from or received by the CCO’s personal email address were not stored in WORM format. Beginning in July 2013, the firm’s representatives were required to forward business-related emails conducted in their personal email accounts to firm email addresses for storage. The firm’s representatives did not always follow this requirement. As a result, certain of their business-related emails were not maintained and preserved in WORM format.

Based on the foregoing, Integrated violated Section 17 of the Exchange Act, Exchange Act Rule 17a-4(f), and FINRA Rules 4511 and 2010.

B. Integrated Failed to Establish a Reasonably Designed Supervisory System to Review, Maintain and Preserve Emails and Failed to Review Certain Emails

NASD Rule 3010(a) and FINRA Rule 3110(a)¹ require firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with the applicable securities laws and

¹ FINRA Rule 3110 replaced NASD Rule 3010 on December 1, 2014. Because the misconduct occurred before and after December 1, 2014, both rules apply.

regulations. NASD Rule 3010(b) and FINRA Rule 3110(b) require firms to establish, maintain, and enforce written procedures to supervise its business and its associated persons reasonably designed to achieve compliance with applicable securities laws and regulations. NASD Rule 3010(d) and FINRA Rule 3110(b)(4) require (i) each member's supervisory procedures to include procedures for the review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the firm's securities business and (ii) the reviews of correspondence and internal communications to be conducted by a registered principal and to be evidenced in writing. A violation of NASD Rule 3010 and FINRA Rule 3110 constitutes a violation of FINRA Rule 2010.

During the relevant period, Integrated did not use an automated system for the review and preservation of all business-related emails. Instead, Integrated relied on an "honor system" for registered representatives to manually forward business-related emails, including those with customers, from their personal email accounts to the firm's CCO (until July 2013) and to business email addresses assigned by the firm (beginning in July 2013). As a result, the firm's compliance with its review and preservation obligations depended on its representatives' compliance with this requirement. The firm, however, had no supervisory system and procedures to ensure that its representatives complied with this requirement.

Because of this deficiency in the firm's system, business-related emails sent from or received by the personal email accounts of the firm's representatives that were not forwarded escaped supervisory review. For example, business-related emails using personal email accounts were not forwarded by three registered representatives between April 2012 and July 2013 and by another representative between August 2013 and January 2014. The firm was unable to evidence any review of these emails.

In addition, between January 2012 and July 2013, Integrated did not require the review by another registered principal of emails sent or received by the firm's CCO and did not otherwise establish a reasonable system for the review of his emails. As a result, during this period, the CCO's emails were not reviewed by another registered principal.

Finally, as discussed above, Integrated failed to implement and maintain a reasonably designed system, including written supervisory procedures, for the maintenance and preservation of all business-related emails in WORM format.

Based on the foregoing, Integrated failed to establish, maintain, and enforce a reasonable supervisory system and written supervisory procedures regarding the review and preservation of registered representatives' business-related emails and failed to review certain business-related emails, in violation of NASD Rule 3010 (for conduct that occurred prior to December 1, 2014), FINRA Rule 3110 (for conduct that occurred after December 1, 2014), and FINRA Rule 2010.

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

- A censure; and
- A \$5,000 fine.²

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

Integrated 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

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

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

² Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

Integrated 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

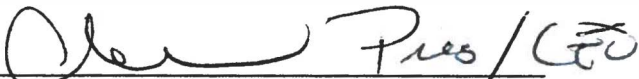
Integrated understands that:

- 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 Integrated; and
- C. If accepted:
 - 1. this AWC will become part of Integrated's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Integrated;
 - 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. Integrated 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. Integrated 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 Integrated'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. Integrated may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Integrated 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 Integrated, 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 Integrated understands and acknowledges that FINRA does not represent or advise it and Integrated cannot rely on FINRA or FINRA staff members for legal advice; that Integrated 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 Integrated to submit it.

05/10/2018
Date (mm/dd/yyyy)


Integrated Trading and Investments, Inc.

By: Aaron William Cohen
President

Accepted by FINRA:

05/21/2018
Date

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



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