

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016048224701**

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

RE: Corecap Investments, Inc., Respondent
CRD No. 37068

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 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

Corecap Investments, Inc. ("Corecap" or the "firm") has been a member of FINRA since February 1, 2013.¹ The firm is registered as a broker-dealer with the MSRB. Corecap employs 98 registered individuals in 10 branch offices and is headquartered in Southfield, MI.

Corecap does not have relevant formal disciplinary history.

OVERVIEW

Between January 16, 2014 and May 24, 2016 (the "Relevant Period"), Corecap failed to report 26 of 87 municipal securities transactions in violation of MSRB Rule G-14. In addition, Corecap failed to establish and enforce a supervisory system that was reasonably designed to ensure its compliance with MSRB Rule G-14, in violation of MSRB Rule G-27.

¹ The firm formerly known as "Windsor Sheffield & Co., Inc." from August 1994 until February 2013.

FACTS AND VIOLATIVE CONDUCT

During the Relevant Period, MSRB Rule G-14 required brokers, dealers, and municipal securities dealers to report information regarding municipal securities transactions including, but not limited to, price and volume information on the day after the trade date. Accurate and timely municipal trade reporting forms the primary audit trail for regulators to conduct surveillance for potentially manipulative practices, as well as detect sales practice violations and other violations of the federal securities laws and MSRB rules. In relevant part, MSRB Rule G-14 states, "Each broker, dealer or municipal securities dealer ('dealer') shall report to the Board or its designee information about each purchase and sale transaction effected in municipal securities to the Real-time Transaction Reporting System ('RTRS')."

Corecap had contracted with its clearing firm to report Corecap's municipal securities transactions to the RTRS during the Relevant Period, with Corecap maintaining final responsibility for accurate reporting to RTRS under MSRB rules. Due to a coding error at the clearing firm, Corecap's municipal securities transactions were not reported to the RTRS from January 16, 2014 through June 11, 2015. Corecap conducted 87 municipal securities transactions during the Relevant Period, but failed to report 13 of the customer trades and the 13 corresponding inventory trades to the RTRS.

By virtue of the foregoing, Corecap violated MSRB Rule G-14.

In addition, MSRB Rule G-27 states in part that "[e]ach dealer shall establish and maintain a system to supervise [its] municipal securities activities...that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Board rules. Final responsibility for proper supervision shall rest with the dealer...Each dealer shall adopt, maintain and enforce written supervisory procedures reasonably designed to ensure that the conduct of the municipal securities activities of the dealer and its associated persons are in compliance."

During the Relevant Period, Corecap failed to establish and enforce a supervisory system reasonably designed to achieve compliance with its trade reporting obligations, in that it failed to enforce its written supervisory procedures ("WSPs") related to the MSRB trade reporting required by MSRB Rule G-14. Specifically, the firm's WSPs required supervisors to regularly receive the MSRB Customer Transaction Edit Register and to review, initial, and date the Register as part of the firm's supervisory system, but the firm did not do so between January 16, 2014 and May 24, 2016. Due to Corecap's failure to enforce its WSPs during this period, the firm did not discover that its clearing firm was not reporting Corecap's municipal securities transactions to the RTRS.

By virtue of the foregoing, Corecap violated MSRB Rule G-27.

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

- A censure, and
- A fine in the amount of \$12,500.

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 waive 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 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. 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 Respondent 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 Corecap Investments, Inc., 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 such person 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 the Firm to submit it.

6-29-17
Date (mm/dd/yyyy)

R. Max Pett
Respondent

Corecap Investments, Inc.

By: R. MAX PETT
PRESIDENT & CEO
Its: _____

Reviewed by:

Judith Villarreal
Judith Villarreal
General Counsel
Corecap Investments, Inc.
27777 Franklin Road
Suite 700
Southfield, Michigan 48034

Accepted by FINRA:

27 JUL 17
Date

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

Nicholas A. Jablonski
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FINRA Department of Enforcement
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