

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016048239701**

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

RE: Central States Capital Markets, LLC, Respondent
Member Firm
CRD No. 155291

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Central States Capital Markets, LLC ("Central States" 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Central States 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

Central States has been a FINRA member firm since September 2011. The Firm employs 22 registered individuals at three branch offices. Central States' main office is located in Prairie Village, Kansas. The Firm primarily sells fixed income securities, including municipal bonds, U.S. government bonds, and U.S. government agency securities.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

Between April 22, 2014 and August 16, 2016 (the "Relevant Period") Central States failed to have a properly registered Municipal Securities Principal ("MSP") supervise the underwritings in the Firm's Wichita, Kansas branch office.

Through this conduct, the Firm violated MSRB Rules G-2 and G-3.

Central States also failed to enforce its written supervisory procedures, which required a designated MSP to supervise the Firm's municipal securities business at its Wichita branch office. Through this conduct, Central States violated MSRB Rule G-27(c).

FACTS AND VIOLATIVE CONDUCT

MSRB Rule G-2 states, "No broker, dealer or municipal securities dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any municipal security unless such broker, dealer or municipal securities dealer and every natural person associated with such broker, dealer or municipal securities dealer is qualified in accordance with the rules of the Board."

MSRB Rule G-3 sets forth the classification of MSPs and representatives, and defines an MSP as a person who is directly engaged in the management, direction or supervision of activities including, but not limited to, trading or sales of municipal securities.

During the Relevant Period, Central States' Wichita branch office manager supervised the office's municipal securities business, specifically underwritings. Though the branch office manager had a Series 24 license, he did not have a Series 53 license, which is required to supervise municipal securities business. During the Relevant Period, the Wichita branch underwrote ten bond offerings. By virtue of the foregoing, the Firm violated MSRB Rules G-2 and G-3.

Central States' written supervisory procedures ("WSPs") required an MSP to supervise the Firm's municipal securities business, including underwriting engagements. To that end, the WSPs designated an MSP to supervise the municipal securities business of the Wichita branch office. The designated MSP, however, did not supervise the branch's underwriting engagements during the Relevant Period. By virtue of the foregoing, Central States violated MSRB Rule G-27(c).

B. Central States also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$10,000 (all of which pertains to the violations of MSRB Rules G-2, G-3, and G-27).

Central States 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

Central States 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, Central States 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.

Central States 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 Central States; 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 Central States;
 - 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. Central States 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. Central States 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 the Firm understands and acknowledges that FINRA does not represent or advise the Firm and it cannot rely on FINRA or FINRA staff members for legal advice; that the Firm 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.

Respondent Central States Capital Markets, LLC

6/5/18
Date (mm/dd/yyyy)

Dale R. Pfleger
By: Dale R. Pfleger
Title: Chief Compliance Officer

Accepted by FINRA:

06/22/2018
Date

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

Seema Chawla
Seema Chawla, Senior Regional Counsel
FINRA Department of Enforcement
120 West 12th Street, Suite 800
Kansas City, MO 64105
Telephone: (816) 802-4712
Facsimile: (816) 421-4519
Email: seema.chawla@finra.org

Steps of Corrective Actions

Upon being advised by FINRA of its violation regarding Municipal Supervision in the Municipal Advisory business in its Wichita, Kansas office, the firm took immediate corrective actions.

An experienced member of the firm, Ms. Rebecca Gibb, who has a long-standing designation as a Municipal Principal, was immediately designated as Supervisor over the Municipal Advisory business.

She continued in that role until September 28, 2016 when she was replaced by J. Daniel Stepp. A certified Municipal principal.

Given the small amount of Advisory business the firm was doing, it surrendered its Advisory designation on September 17, 2017. The firm no longer supports this activity, and thus has no required supervisory function at this time.

If it pursues this business in the future, it will most definitely have a Municipal Principal designated a supervisor.

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.