

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160522294-01**

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

RE: The Oak Ridge Financial Services Group, Inc., Respondent
Broker-Dealer
CRD No. 42941

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, The Oak Ridge Financial Services Group, Inc. (the "firm" or "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

The firm has been a member of FINRA since April 25, 1997, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

The Financial Industry Regulatory Authority's ("FINRA") Department of Market Regulation, Fixed Income Investigations Team ("staff"), conducted a review of the firm's pricing of corporate bond transactions and related supervisory requirements during the period of July 1, 2016, through September 30, 2016 (the "review period"). As detailed below, during the review period, the firm violated FINRA Rules 2121, 3110, and 2010.

FACTS AND VIOLATIVE CONDUCT

1. FINRA Rule 2121 provides that a member, when trading for its own account, shall buy from or sell to a customer at a price which is fair, taking into consideration all relevant

circumstances, including market conditions with respect to such security at the time of transaction, the expense involved, and the fact that the firm is entitled to a profit.

2. During the review period, in 7 transactions, the firm, when trading for its own account, sold (or bought) corporate bonds to (or from) customers and failed to sell (or buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 2121 and 2010.
3. FINRA Rule 3110 provides that FINRA members shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.
4. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. At a minimum, reasonable written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

While the firm's written supervisory procedures provided that a designated firm official was responsible for conducting daily reviews of all executed transactions, they failed to describe the supervisory steps or reviews to be conducted by that individual to ensure compliance with the fair pricing requirements set forth in Rule 2121. Moreover, the written supervisory procedures did not state how the daily reviews were to be documented. As a consequence, the firm's supervisory system, including its written supervisory procedures, were not reasonably designed to achieve compliance with FINRA Rule and 2121. The conduct described in this paragraph constitutes violations of FINRA Rules 3110 and 2010.

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

1. A censure.
2. A fine of \$17,500 (\$10,000 for the fair pricing rule violations and \$7,500 for the supervisory rule violations).
3. An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.4. Within 30 calendar days of

acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, ENFORCEMENT DIVISION, 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 paragraph I.A.4; and, (3) the date the revised procedures were implemented.

4. Restitution is ordered to be paid to the customers listed on Exhibit A attached hereto in the amount of \$4,956.25, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the NAC. A registered principal on behalf of the Respondent firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to the **COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 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 120 days after acceptance of this AWC.

If for any reason, Respondent cannot locate any customer identified in Exhibit A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by FINRA staff in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided. Respondent shall provide satisfactory proof of such action to FINRA in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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. It 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 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, 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 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. 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 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. Respondent 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.

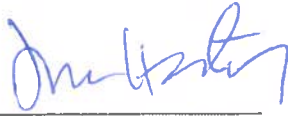
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

8/07/2018

Date

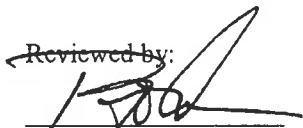
Respondent

The Oak Ridge Financial Services Group,
Inc.

By: 

Name: Thomas Herstad

Title: VP/CCO

~~Reviewed by:~~ 

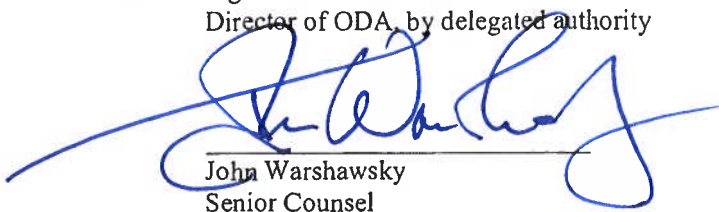
Philip T. Colton
Counsel for Respondent
Winthrop & Weinstine, P.A.
Capella Tower, Suite 3500
225 South Sixth Street
Minneapolis, Minnesota 55402-4629
Telephone: 612-604-6729

Accepted by FINRA:

8/8/2018

Date

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


John Warshawsky
Senior Counsel
FINRA Department of Enforcement

The Oak Ridge Financial Services Group, Inc. ("OAKR")
Matter No: 20160522294
Review Period: July 1, 2016 through September 30, 2016
Restitution Exhibit

Summary Exhibit #	CUSIP	Issue	Volume	Contra 1*	Trade 1 Date	Trade 1 Time	Trade 1 Price	Firm	Contra 2*	Trade 2 Date	Trade 2 Time	Trade 2 Price	Percent Profit	Proposed Restitution**
2	85207UAJ4	SFTBF4214707	85,000	BD (S)	07/08/2016	11:25:05	83.125	OAKR	C (B)	07/08/2016	11:29:56	86.034	3.50%	\$ 868.75
3	165167CF2	CHK.HT	56,000	BD (S)	08/16/2016	10:49:20	85.397	OAKR	C (B)	08/16/2016	11:00:34	88.385	3.50%	\$ 487.29
4a	165167CF2	CHK.HT	57,000		08/16/2016			OAKR	C (B)	08/16/2016	11:47:20	88.322		\$ 496.07***
4b	165167CF2	CHK.HT	10,000	BD (S)	08/16/2016	11:39:42	85.149	OAKR					3.73%	
4c	165167CF2	CHK.HT	47,000	BD (S)	08/16/2016	11:42:07	85.375	OAKR					3.45%	
5	35671DBH7	FCX4183631	65,000	C (S)	08/31/2016	13:10:46	87.671	OAKR	BD (B)	08/31/2016	13:07:58	90.85	3.50%	\$ 761.29
6	71647NAK5	PBR4106363	35,000	C (S)	09/09/2016	14:22:18	88.50	OAKR	BD (B)	09/09/2016	14:08:59	91.50	3.28%	\$ 601.65
7	71647NAK5	PBR4106363	70,000	C (S)	09/12/2016	11:38:18	87.00	OAKR	BD (B)	09/12/2016	11:33:51	90.00	3.33%	\$ 1,218.00
9	893830AY5	RIG.HE	50,000	BD (S)	09/26/2016	12:06:31	96.00	OAKR	C (B)	09/26/2016	12:11:54	99.36	3.50%	\$ 523.20
Total Restitution														\$ 4,956.25
* Contra parties are identified as follows: BD (S) indicates another Broker Dealer selling to the firm; BD (B) indicates another Broker Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm. ** In instances where using the highest comparable markup/markdown would have resulted in the firm profiting less than \$400 in each trade, restitution was calculated to lower the firm's profit to \$400. *** The staff used a weighted average purchase price of \$85.33538 to calculate restitution.														