

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052325902**

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

RE: CV Brokerage, Inc., Respondent
CRD No. 462

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, CV Brokerage, Inc. ("CV Brokerage" 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 CV Brokerage alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. CV Brokerage 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

CV Brokerage is headquartered in West Conshohocken, Pennsylvania. The Firm also maintains a registered branch office in New York City and has approximately 16 registered representatives.

RELEVANT DISCIPLINARY HISTORY

CV Brokerage does not have any relevant formal disciplinary history.

OVERVIEW

From February 2016 through June 2019 (the "Relevant Period"), CV Brokerage failed to establish and maintain a supervisory system, and failed to establish, maintain, and enforce written supervisory procedures ("WSPs"), reasonably designed to achieve compliance with applicable FINRA rules regarding the participation of Firm-registered representatives in private securities transactions ("PSTs"). As a result, the Firm violated FINRA Rules 3110(a) and (b), 3280, and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3280(c) requires that after a member firm has received written notice of an associated person's proposed participation in a PST in which the associated person has received or may receive selling compensation, the firm must approve or disapprove the person's participation in writing. If the member firm approves the associated person's participation in the PST, the firm must record the PST on the firm's books and records and "supervise the person's participation in the transaction as if the transaction were executed on behalf of the member." The Rule defines a PST as "any securities transaction outside the regular course or scope of an associated person's employment with a member [firm]...."

FINRA Rule 3110(a) requires each member firm to "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."

FINRA Rule 3110(b)(1) states that "[e]ach member shall 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." FINRA Rule 3110(b)(6)(C)(i) provides that a member firm's WSPs shall include procedures prohibiting supervisors from supervising their own activities. FINRA Rule 3110(b)(6)(C)(ii)(a) contains a limited exception to that requirement when it "is not possible" to prohibit self-supervision "because of the member's size or a supervisory personnel's position within the firm." In that case, the firm must document the relevant factors it relied upon when it determined that supervision by another person was impossible, and how the supervisory arrangement otherwise complies with FINRA Rule 3110(a).

During the Relevant Period, a registered representative of the Firm, BS, participated in multiple PSTs, at least two of which are known to have involved Firm customers.¹ Among others, in February 2016, BS formed an investment fund that was managed by BS's registered investment advisory firm. The investment fund traded hundreds of millions of dollars at multiple financial institutions and exchanges during the Relevant Period, and BS received substantial selling compensation related to her participation in the fund.

CV Brokerage's WSPs during the Relevant Period required the Firm's pre-approval of all PSTs, and further stated that in the event an associated person participates in an approved PST for compensation, "the transaction shall be recorded on the books and records of [CV Brokerage] and [CV Brokerage] shall

¹ BS refused to respond to a request for documents and information pertaining to one of the PSTs in which she participated; the request was issued pursuant to FINRA Rule 8210. BS has agreed to an AWC in which she consents to a permanent bar from the securities industry.

supervise the person's participation in the transaction as if it were executed on behalf of [CV Brokerage]." However, the Firm's WSPs also permitted BS, who was a principal of the Firm, to supervise her own compliance with the Firm's PST procedures. The Firm had or could have hired other principals who could have reviewed and supervised BS' participation in approved PSTs, or disapproved her participation in PSTs. Moreover, the Firm failed to perform the necessary analysis and create the necessary documentation prior to allowing BS to self-supervise her own participation in PSTs. The Firm therefore violated FINRA Rule 3110(b)(6)(C)(i) and its WSPs were not reasonably designed to achieve compliance with FINRA Rule 3280(c).

Additionally, during the Relevant Period, CV Brokerage, in fact, failed to supervise BS' participation in PSTs. CV Brokerage failed to supervise the securities trading conducted by the investment fund as if it was executed on behalf of the Firm. The Firm also failed to record the securities transactions for the fund on the Firm's books and records. As noted, BS received selling compensation from transactions conducted by the investment fund, all of which were conducted away from the Firm. Accordingly, the Firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 3280(c).

Based on the foregoing, CV Brokerage violated FINRA Rules 3110(a) and (b), 3280(c), and 2010.

B. CV Brokerage also consents to the imposition of the following sanctions:

- a censure; and
- a fine the amount of \$100,000.

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

CV Brokerage 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

CV Brokerage 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, CV Brokerage 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.

CV Brokerage 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

CV Brokerage 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 it;
 - 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. CV Brokerage 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. CV Brokerage 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. 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.

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 have been given a full opportunity to ask questions about it; 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.

June 14, 2019
Date (mm/dd/yyyy)

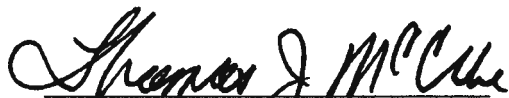
Respondent CV Brokerage, Inc.

By: Brenda Smith

Name: Brenda Smith

Title: Authorized Representative

Reviewed by:

A handwritten signature in black ink, appearing to read "Thomas J. McCabe". The signature is written in a cursive style with a horizontal line underneath it.

Thomas J. McCabe, Esq.

Counsel for Respondent

2389 Yorktown St.

Oceanside, NY 11572

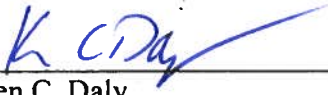
Tel: (212) 248-7200

E-Mail: tmccabe@mfalaw.com

Accepted by FINRA:

7/2/19
Date

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



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