

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052414401**

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

RE: EBH Securities, Inc., Respondent ("EBH" or the "Firm")
CRD No. 36592

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 accept 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

EBH has been a member of FINRA since July 21, 1994. EBH maintains its main office in Indianapolis, Indiana. EBH engages in retail transactions in mutual funds and variable annuities on an application-way basis. The firm currently employs two registered individuals.

RELEVANT DISCIPLINARY HISTORY

On November 14, 2016, FINRA accepted an AWC from EBH wherein the Firm was fined \$5,000 and censured.¹ The Firm consented to the entry of findings that, between December 2013 and February 2015, it failed to: maintain its minimum net capital while continuing to conduct its securities business in violation of Exchange Act Rule 15c3-1 and FINRA Rule 2010; provide notice of its net capital deficiency in violation of Exchange Act Rule 17a-11 and FINRA Rule 2010; maintain an accurate trial balance, general ledger, and monthly net capital computations in violation of Exchange Act Rule 17a-3 and FINRA Rule 2010; and file accurate FOCUS reports in violation of Exchange Act Rule 17a-5 and FINRA Rule 2010.

¹ See Matter No. 20150436466.

OVERVIEW

Between May 2015 and January 2017, EBH failed to provide notice that it was below certain net capital related levels, in violation of Exchange Act Rule 17a-11 and FINRA Rule 2010, and also failed to suspend its business operations while below those levels, in violation of FINRA Rules 4110 and 2010. On October 24, 2016, EBH also failed to maintain its minimum net capital of not less than \$5,000, while continuing to conduct its securities business, in violation of Exchange Act Rule 15c3-1 and FINRA Rule 2010. On March 31 and December 31, 2016, EBH failed to maintain and keep current accurate trial balances, general ledgers, and monthly net capital computations, in violation of Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010. On March 31 and December 31, 2016, EBH also failed to file accurate FOCUS reports, in violation of Exchange Act Rule 17a-5 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

17a-11 Notification and Net Capital Violations

Exchange Act Rule 15c3-1, which arises under Section 15(c) of the Securities Exchange Act, prohibits a broker-dealer from engaging in a securities business if its net capital falls below a certain amount. FINRA Rule 4110(b)(1) provides that, if a broker-dealer is not net capital compliant, it must suspend all business operations during any period in which it is not in compliance. Exchange Act Rule 17a-11 further provides that a broker-dealer that is below its required minimum amount, or below 120% of that amount ("net capital warning level"), is required to file a financial notification to that effect with the SEC and FINRA.

Between May 1, 2015 and January 31, 2017 ("relevant period"), EBH regularly lent funds on a short-term, unsecured basis to its affiliate, which was in the business of providing cash advances to individuals who had pending personal injury claims with immediate cash needs. The Firm would ultimately be repaid when the personal injury settlements were finalized. This business practice caused the Firm's saving account to be depleted in the beginning and middle parts of the month, and then replenished near the end of the month, when cash was returned to the savings account by the affiliate.

As a result of its actions, EBH fell below its required minimum net capital amount on nine occasions during the relevant period, and on another nine occasions fell below its net capital warning level. The occasions lasted between one day and two weeks. At no time did EBH file a notification with the SEC and FINRA that the Firm was net capital deficient or below its net capital warning level.

On October 24, 2016, EBH was below its required net capital level and conducted a securities business in violation of Exchange Act Rule 15c3-1. EBH came into compliance with its minimum net capital requirement shortly thereafter, through a capital contribution to the Firm.²

As a result of the foregoing, EBH violated Exchange Act Rules 17a-11 and 15c3-1 and FINRA Rules 4110 and 2010.

Recordkeeping and FOCUS Report Violations

Exchange Act Rule 17a-3, which arises under Section 17(a) of the Securities Exchange Act, generally requires that a broker-dealer maintain accurate books and records, including trial balances, general ledgers and net capital calculations. FINRA Rule 4511 provides that a broker-dealer must make and preserve accurate books and records as required under the Securities Exchange Act and applicable Exchange Act Rules. Exchange Act Rule 17a-5, which is also derived from the Securities Exchange Act, generally requires that a broker-dealer submit Financial and Operational Combined Uniform Single ("FOCUS") Reports containing certain accounting and financial information.

On March 31 and December 31, 2016, EBH failed to prepare accurate trial balances, general ledgers and net capital computations. This resulted from the Firm's improper accrual and calculation of its accounts receivable and accounts payable. Specifically, the Firm understated its accounts receivable by \$989 for the quarter ending March 31, 2016 and understated its accounts payable by \$10,870 during the quarter ending December 31, 2016, which caused the Firm's FOCUS Reports for March and December 2016 to be inaccurate.

Based on the foregoing, EBH violated Exchange Act Rules 17a-3 and 17a-5 and FINRA Rules 4511 and 2010.

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

- A censure and fine of \$7,500.

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.

² According to the EBH, its net capital violations resulted from its failure to recognize that it was obligated to maintain its minimum net capital amount on a continuous and ongoing "moment to moment" basis, rather than merely at the end of each month.

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 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.

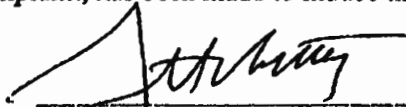
OTHER MATTERS

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 Respondent’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. 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 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 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.

July 24, 2018
Date

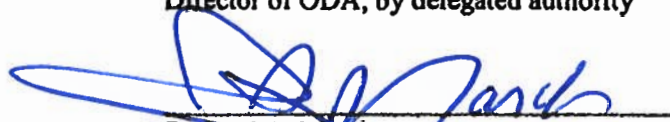

EBH Securities, Inc.

By: Stanley Whittley
Its: President

Accepted by FINRA:

8-2-18
Date

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


Richard A. March
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