

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20170532065 -01**

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

RE: Dougherty & Company LLC, Respondent
Member Firm
CRD No. 7477

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Dougherty & Company LLC ("Dougherty" 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 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

Dougherty became a member of FINRA on September 30, 1977 and a member of the Municipal Securities Rulemaking Board ("MSRB") on July 10, 1982; both registrations remain in effect. The firm is headquartered in Minneapolis, Minnesota. As of September 17, 2019, it has 11 branch offices and a total of 106 registered individuals.

RELEVANT DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

During the period July 1, 2016 through December 31, 2016, and July 1, 2018 through December 31, 2018 (collectively the "review period"), the firm failed, in 310 instances, to make timely submissions or to submit accurate information regarding the result of an interest rate reset for Variable Rate Demand Obligations ("VRDO") to the MSRB's

Short-Term Obligation Rate Transparency ("SHORT") System in violation of MSRB Rule G-34. Further, during the review period, the firm failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with the firm's obligation to make accurate and timely submissions to the SHORT System in violation of MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

MSRB Reporting Violations

1. MSRB Rule G-34 requires each Remarketing Agent to submit VRDO interest rate reset information to the SHORT System no later than 6:30 P.M. Eastern Time on the date on which an auction or an interest rate reset occurs if such date is a Real-Time Transaction Reporting System ("RTRS") Business Day as defined in MSRB Rule G-14 RTRS Procedures (d)(ii). In the event that an auction or interest rate reset occurs on a non-RTRS Business Day, the information shall be reported by no later than 6:30 P.M. Eastern Time on the next RTRS Business Day.
2. During the review period, the firm failed, in 211 instances (8.7% error rate), to submit information regarding the result of an interest rate reset for VRDOs to the SHORT System within the time requirements prescribed by MSRB Rule G-34.
3. During the period July 1, 2016 through December 31, 2016, the firm failed, in 99 instances (7.3% error rate), to submit accurate information regarding the result of an interest rate reset for VRDOs to the SHORT System as prescribed by MSRB Rule G-34. Specifically, the firm failed to submit accurate rate reset times to the SHORT System.
4. By virtue of the foregoing, the firm violated MSRB Rule G-34.

Supervision Violation

5. MSRB Rule G-27(a) requires that "[e]ach broker, dealer and municipal securities dealer . . . shall supervise the conduct of the municipal securities activities of the dealer and its associated persons to ensure compliance with [MSRB] rules"
6. MSRB Rule G-27(c) further requires that "[e]ach 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 as required in section (a) of [MSRB Rule G-27]."
7. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to MSRB Rule G-34 interest rate reporting requirements. Specifically, the firm failed to establish and maintain a supervisory system, including written supervisory procedures, to review for accurate and timely submissions to the SHORT System. The written supervisory procedures only provided instructions to document that the submissions were made to the SHORT

System.

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

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

- Censure;
- A fine of \$25,000 (comprised of \$15,000 for the Rule G-34 violations and \$10,000 for the Rule G-27 supervision violation); and
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs I.A.7. Within 30 days after this AWC becomes final, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850-3241, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, acknowledging that the firm revised its written supervisory procedures, and the date the revised procedures were implemented.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 it;
- 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 action 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 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 Respondent 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 it to submit it.

Dougherty & Company LLC
Respondent

9/23/2019

Date

By: 

Print Name: Thomas Steichen

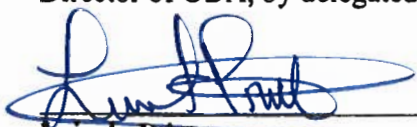
Title: General Counsel

Accepted by FINRA:

10/14/2019

Date

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



Luis A. Prieto

Counsel

FINRA

Department of Enforcement

15200 Omega Drive, Suite 300

Rockville, MD 20850

Corrective Action Statement

This Corrective Action Statement is submitted by Dougherty & Company LLC ("Dougherty"). It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

In order to correct the reporting issues related to the MSRB SHORT System which are the subject of the Letter of Acceptance, Waiver and Consent No. 20170532065 (the "AWC"), Dougherty has taken a number of important steps.

In its Compliance Department, Dougherty has revised its Written Supervisory Procedures to set forth in more detail the steps necessary to timely and accurately report the interest rate reset information on the MSRB SHORT System. Dougherty has restructured its Compliance Department so that all members of the Compliance Department, including Dougherty's Chief Compliance Officer, now report to the General Counsel. Further, Dougherty's Compliance Department is now performing its review and audit on Dougherty's MSRB SHORT System reporting, including specifically the interest rate reset information, on a monthly basis. Dougherty's Compliance Department had historically performed such review and audit on a quarterly basis.

Dougherty has made a number of changes related to its municipal trading desk, its personnel and the supervision of such personnel. Dougherty has a new person assigned to manually inputting the reporting information into the MSRB SHORT System. Dougherty's internal reporting system, Dougherty Planet, has been changed so that all interest rate reset information is manually input into the MSRB SHORT System, and it is no longer generated and input by the proprietary system. It is now impossible for the person that is manually inputting the information into the MSRB SHORT System to leave the input screen without properly inputting all of the information related to the interest rate resets. Now, if something is improperly input into the MSRB SHORT System or such input does not contain the complete information, an email will automatically be sent to head of the Compliance Department and the head of the Municipal Trading Department. Also, more detailed data fields have been added to the head of the Municipal Trading Department's daily supervision log. Now this supervision log will clearly show the time of the submissions of the interest rate reset information on the MSRB SHORT System.

Due in part to the remediation steps taken by Dougherty as are set forth in this Corrective Action Statement, Dougherty is confident that the reporting issues that are the subject of the AWC have ceased to exist after January 2, 2019.