

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060466201**

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

RE: Calton & Associates, Inc. (Respondent)
Member Firm
CRD No. 20999

Pursuant to FINRA Rule 9216, Respondent Calton & Associates, Inc. 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 in this AWC.

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

Calton & Associates, Inc. has been a FINRA member since 1987. It is a full-service brokerage firm with approximately 390 registered representatives in over 160 branches. The firm is headquartered in Tampa, Florida.

Calton does not have any relevant disciplinary history.

OVERVIEW

During the period of February 2014 to February 2020, Calton failed to establish and maintain a supervisory system reasonably designed to achieve compliance with the firm's suitability obligations in connection with sales of non-traditional and volatility-linked exchange traded products (ETPs). Non-traditional and volatility-linked ETPs are complex products intended to be held for short periods of time as part of a trading strategy rather than as buy-and-hold investments. Although the firm was aware of the complex nature of the products, Calton permitted its representatives to offer the products to retail customers without a reasonable supervisory system to properly understand the products' features and risks and review and monitor transactions. Consequently, Calton representatives recommended non-traditional and volatility-linked ETPs to retail customers without understanding the products were intended for short-term trading rather than as buy-and-

hold investments, and the firm's customers held the products for longer periods of time, resulting in losses.

Based on the foregoing, Calton violated NASD Rule 3010(a) and FINRA Rules 2111, 3110(a) and 2010.¹

In addition, during the period from January 1, 2014 to June 21, 2018, Calton failed to offer retail customers educational materials prior to their first purchases of collateralized mortgage obligations (CMOs), in violation of FINRA Rules 2216(b)(2) and 2010, and it failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with FINRA Rule 2216(b)(2), in violation of NASD Rule 3010 and FINRA Rules 3110 and 2010. Further, the firm unreasonably assigned an individual to supervise a registered representative despite the presence of a conflict of interest, in violation of FINRA Rules 3110(b)(6) and 2010, and it allowed a non-registered person to accept and enter securities orders, in violation of NASD Rule 1031 and FINRA Rules 1210, 3110, and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA initiated this investigation based upon a customer complaint and a FINRA cycle examination.

I. Calton's non-traditional and volatility-linked ETP business

A. Background on non-traditional ETPs

Non-traditional ETPs are designed to return a multiple of an underlying index or benchmark (leveraged ETPs), the inverse of the benchmark (inverse ETPs), or both (leveraged-inverse ETPs) over the course of one trading session, typically lasting a single day. As such, non-traditional ETPs typically rebalance their portfolios on a daily basis. FINRA has cautioned that, due to the effect of compounding, the performance of non-traditional ETPs over periods longer than a single trading session "can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time."² As a result, FINRA has advised members and their representatives that non-traditional ETPs "typically are not suitable for retail investors who plan to hold them for more than one trading session."³

B. Background on volatility-linked ETPs

Volatility-linked ETPs attempt to provide exposure to the Chicago Board Options Exchange Volatility Index (VIX) by tracking or holding investments in VIX futures, although they do not track the VIX on a one-to-one basis. For volatility-linked ETPs to maintain continuous exposure to the VIX, a VIX futures position must be rolled over prior to a contract's expiration; therefore, a position with an earlier contract maturity date

¹ FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

² FINRA Regulatory Notice 09-31.

³ *Id.*

is sold and replaced by a contract with a more distant maturity date. In the market conditions in which these futures contracts have historically traded, a contract with a more distant maturity date has typically been more expensive than one set to expire sooner. The difference between the proceeds from selling a position and the cost of buying a new one to replace it is called the “roll yield.” When an expiring contract is rolled into a more expensive contract, there will be a loss, *i.e.*, a negative roll yield.

In market conditions in which the roll yield is negative, any volatility-linked ETP that is held for a long period of time is highly likely to lose value. Accordingly, given their complexity and risks, volatility-linked ETPs are best viewed as short-term products that should be monitored closely.

As such, FINRA has cautioned that “these products have not exhibited, and likely will not exhibit, behavior similar to the VIX over longer periods and exhibit imperfect correlation even over shorter periods.”⁴ Accordingly, FINRA has advised that “volatility-linked ETPs may be unsuitable for certain retail investors, particularly those who plan to use them as traditional buy-and hold investments.”⁵

C. Calton failed to establish and maintain a supervisory system reasonably designed to achieve compliance with its suitability obligations in connection with sales of non-traditional and volatility-linked ETPs.

FINRA Rule 3110(a), like NASD Rule 3010(a), provides that “[e]ach member 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.”⁶ FINRA Rule 3110(b), like NASD Rule 3010(b), provides 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.”⁷

Calton’s supervisory obligations included establishing a reasonable system to supervise for compliance with FINRA Rule 2111, which requires a member firm and its registered representatives to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.

In Regulatory Notice 12-03, issued in January 2012, FINRA reminded firms of their heightened supervisory obligations with respect to complex products, which include non-traditional and volatility-linked ETPs.

From February 2014 to February 2020, Calton’s supervisory systems, including its WSPs, relating to the sale of non-traditional and volatility-linked ETPs were not

⁴ FINRA Regulatory Notice 17-32.

⁵ *Id.*

⁶ FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

⁷ A violation of NASD Rule 3010 and FINRA Rule 3110 is also a violation of FINRA Rule 2010.

reasonably designed to achieve compliance with the firm's suitability obligations under FINRA Rule 2111.

1. Calton failed to reasonably supervise sales of volatility-linked ETPs.

From February 2014 to February 2020, Calton failed to establish or maintain a supervisory system specific to sales of volatility-linked ETPs. Sales of volatility-linked ETPs were not addressed in the firm's written procedures, exception reporting, or training. The firm only reviewed sales of volatility-linked ETPs incidentally, as part of the firm's non-traditional ETP trade review (as described below), if the ETP was also leveraged. To the extent such review took place, it did not focus on the significant and well-known risks specific to volatility-linked ETPs.

2. Calton failed to reasonably supervise sales of non-traditional ETPs.

Calton's supervisory systems failed to address non-traditional ETPs and their unique risks until the firm revised its written policies in April 2015. At that time, Calton adopted written procedures requiring the firm to conduct a reasonable-basis suitability review of each non-traditional ETP the firm offered and to establish written suitability guidelines for each product, which the firm would provide to its registered representatives and principals. However, the firm did not conduct the suitability reviews or establish the written suitability guidelines required under the firm's new procedures. The April 2015 procedures also required a designated supervisory principal to review all non-traditional ETP transactions for suitability within one business day of the transaction. However, firm supervisors did not regularly review all non-traditional ETP transactions, but rather, only reviewed a portion of such transactions on an ad hoc basis.

In January 2017, during a FINRA examination, the firm represented to FINRA that it had restricted trading in non-traditional ETPs, had implemented a non-traditional ETP disclosure document, and would require all its registered representatives to undergo training in exchange-traded funds (ETFs) in 2017. In fact, the firm had not implemented the block, only sporadically provided the disclosure document to customers, and did not provide training on ETFs, including non-traditional ETPs, in 2017.

Rather than enhance its procedures for non-traditional ETP sales, in November 2017, the firm eliminated most of the April 2015 procedures regarding non-traditional ETPs. The revised procedures required that (i) associated persons make reasonable basis suitability determinations prior to recommending ETPs; (ii) registered representatives use an unspecified "customer profile," not defined in any of the firm's written procedures, to determine customer-specific suitability; and (iii) a principal compare each transaction with the customer's profile and conduct a customer-specific suitability review of each non-traditional ETP transaction.

Despite the requirements of the firm's written procedures, between February 2014 and February 2020, firm supervisors failed to review every non-traditional ETP transaction,

in part because the firm lacked adequate systems for identifying non-traditional ETPs. From February 2014 to October 2017, the firm's review system for the majority of its ETP transactions did not identify which securities were non-traditional ETPs, causing the firm to rely upon a manual review in which each supervisory principal had to recognize the ticker symbol of each non-traditional ETP. Beginning in October 2017, the firm upgraded this system to display information about a security's classification, including whether it was a non-traditional ETP, but this system failed to identify some non-traditional ETPs, including all inverse ETPs that were not also leveraged. Moreover, certain leveraged ETPs were not identified by this review system because the firm failed to correctly identify them. The firm did not begin using a completely automated system for identifying non-traditional ETPs until September 2019.

Between February 2014 and February 2020, Calton lacked a reasonable supervisory system for monitoring holding periods of non-traditional ETPs, even though the products are typically not suitable for long-term investment, because the firm relied upon a single supervisor's ad hoc reviews.

Calton also failed to reasonably train registered representatives and supervisors to understand the features and risks associated with non-traditional ETPs. Although the firm's procedures, adopted in April 2015, required the firm to develop non-traditional ETP training, the firm failed to provide reasonable training to its representatives until 2018.

3. Calton attempted but failed to restrict sales of non-traditional ETPs.

The firm attempted to restrict trading in non-traditional ETPs at its two clearing firms but failed to reasonably supervise the implementation of the trade restriction. A trading block went into effect at one of the clearing firms in March 2014, which successfully blocked nearly all buy orders of non-traditional ETPs cleared through that firm. Calton did not begin to implement a block for non-traditional ETP transactions at the other clearing firm until June 2016, and, contrary to the representations the firm made to FINRA in January 2017, that block did not go into effect until April 2017. Even then, that block only addressed non-traditional ETPs with a leveraged component, meaning that there was no restriction at that clearing firm on trading inverse ETPs without a leveraged component.

The firm never attempted to block sales of volatility-linked ETPs at either clearing firm, and volatility-linked ETPs were only incidentally restricted at either clearing firm if the ETP had a leveraged component.

* * *

As a result of the foregoing, Calton violated NASD Rule 3010(a) and FINRA Rules 3110(a) and 2010.

D. Calton made unsuitable recommendations to purchase non-traditional and volatility-linked ETPs.

As described above, FINRA Rule 2111 requires a member firm and its registered representatives to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.⁸

In Regulatory Notice 09-31, FINRA reminded member firms of their obligation to perform a reasonable-basis suitability analysis prior to recommending non-traditional ETPs to customers. Specifically, firms should “understand the terms and features of the funds, including how they are designed to perform, how they achieve that objective, and the impact that market volatility, the ET[P]’s use of leverage, and the customer’s intended holding period will have on their performance.”⁹ Similarly, in Regulatory Notice 17-32, FINRA reminded member firms of their obligation to understand the features and risks of volatility-linked ETPs prior to recommending the products to customers.

From February 2014 to February 2020, Calton failed to conduct reasonable diligence to understand the features and risks of non-traditional and volatility-linked ETPs before allowing representatives to offer non-traditional and volatility-linked ETPs to customers. As a result, the firm’s representatives sold non-traditional and volatility-linked ETPs to customers without understanding the products’ features and risks, including that such products were only meant to be held on a short-term basis. One of the consequences was that many customers held non-traditional and volatility-linked ETP positions for longer periods of time, thereby incurring losses.

Therefore, Calton violated FINRA Rules 2111 and 2010.

II. Calton’s CMO business

A. Background on CMOs

A CMO is a type of mortgage-backed security that is collateralized by a pool of mortgages. The principal and interest from the mortgages underlying the CMO are used to pay investors’ principal and/or interest, depending on the type or tranche of CMO owned. CMOs come in myriad varieties, each with its own yield, price volatility, and risk characteristics. CMOs can be sensitive to changes in market interest rates.

B. Calton failed to offer required educational materials to CMO customers.

FINRA Rule 2216(b)(2) provides that “[b]efore the sale of a CMO to any person other than an institutional investor ... a member must offer to the person educational material,” including a discussion of the specified characteristics and risks of CMOs, the structure of a CMO, and the relationship between mortgage loans and mortgage securities, as well as questions an investor should ask before investing, and a glossary of terms.

⁸ A violation of FINRA Rule 2111 is also a violation of FINRA Rule 2010.

⁹ FINRA Regulatory Notice 09-31.

From January 1, 2014 to June 21, 2018, Calton sold CMOs to hundreds of non-institutional customers through at least 33 registered representatives. During the same period, Calton failed to offer non-institutional customers who purchased CMOs with the educational material required by FINRA Rule 2216(b)(2). After FINRA commenced inquiries about whether materials had been offered, the firm provided the materials to the customers.

Therefore, Calton violated FINRA Rules 2216(b)(2) and 2010.

C. Calton failed to establish, maintain and enforce a supervisory system reasonably designed to comply with FINRA Rule 2216(b)(2).

From January 1, 2014 to June 21, 2018, the Firm's WSPs set forth the requirement that the firm offer educational materials to non-institutional CMO customers, pursuant to FINRA Rule 2216(b)(2). However, the WSPs did not set forth any procedure for complying with Rule 2216(b)(2) or identify any supervisor responsible for achieving compliance with the rule.

By failing to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 2216(b)(2), Calton violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

III. Other violations

A. Calton violated FINRA Rules 3110(b)(6) and 2010 by unreasonably assigning an individual to supervise a registered representative despite the presence of a conflict of interest.

FINRA Rule 3110(b)(6)(C)(ii) requires firms to maintain supervisory procedures prohibiting supervisors from "reporting to, or having their compensation or continued employment determined by, a person they are supervising." FINRA Rule 3110(b)(6)(D) requires firms to maintain procedures reasonably designed to prevent its supervisory system from being compromised due to the conflicts of interest that may be present with respect to the associated person being supervised, including the position of such person, the revenue such person generates for the firm, or any compensation that the associated person conducting the supervision may derive from the associated person being supervised.

Calton's WSPs stated that supervisors were prohibited from having their compensation or continued employment determined by individuals they supervised because such supervision could be compromised by conflicts of interest. Nevertheless, during the period December 2014 until May 2020, the Firm permitted an individual to supervise a registered representative (Representative A), even though Representative A determined and paid the supervisor's compensation after hiring her and had the authority to

determine whether she remained employed. The supervisor's compensation consisted of a share of as much as 5 percent of Representative A's commissions, a housing subsidy to live in a residence owned by Representative A's spouse, and a salary. Nevertheless, the firm permitted this individual to supervise Representative A pursuant to this compensation arrangement until May 2020.

Therefore, Calton violated FINRA Rules 3110 and 2010.

B. Calton violated NASD Rule 1031 and FINRA Rules 1210, 3110, and 2010 by allowing a non-registered person to engage in the securities business.

NASD Rule 1031 provided that “[a]ll persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered as such with NASD in the category of registration appropriate to the function to be performed as specified in Rule 1032.”¹⁰ NASD Rule 1031 also provided that individuals who handled “order processing” for “unsolicited customer orders” should be registered as “assistant representatives.”

FINRA Rule 1210 provides that “[e]ach person engaged in the investment banking or securities business of a member shall be registered with FINRA as a representative or principal in each category of registration appropriate to his or her functions.” Similar to NASD Rule 1031, the Supplementary Material to FINRA Rule 1230 provides that “[t]he function of accepting customer orders is not considered a clerical or ministerial function” and that “[e]ach person associated with a member who accepts customer orders under any circumstances shall be registered in an appropriate registration category.”

From January 2018 through November 2019, Calton allowed a non-registered person to engage in the securities business of the firm by accepting and entering customers' securities orders at the branch operated by Representative A, after Representative A had hired the non-registered person as a branch assistant. The firm was informed that the non-registered person would be accepting and entering customer orders in a January 8, 2018 branch assistant questionnaire that the non-registered person completed and submitted to the firm. The firm subsequently granted the non-registered person access to firm systems for customer accounts and securities order entry but did not reasonably supervise the non-registered person to ensure that he was appropriately registered or exclusively performing tasks that did not require registration. Therefore, the firm violated NASD Rule 1031 and FINRA Rules 1210, 3110(a), and 2010.

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

- a censure;
- a \$250,000 fine;

¹⁰ FINRA Rule 1210 superseded NASD Rule 1031 on October 1, 2018.

- restitution of \$472,007.20 plus interest as described below; and
- an undertaking to retain an independent consultant as described below.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC in the total amount of \$472,007.20, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from the date the securities were sold to the customer until the date this AWC is accepted by the National Adjudicatory Council (NAC).

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution and prejudgment interest (separately specifying the date and amount of each paid to each customer listed on Attachment A) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days after the date of the notice of acceptance of the AWC, or such additional period agreed to by FINRA 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 last known to have resided. Respondent shall provide satisfactory proof of such action to FINRA in the manner described above, within 14 calendar days of forwarding the undistributed restitution and interest to the appropriate state authority.

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

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

1. Respondent has undertaken to do the following:
- a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this AWC an independent consultant not unacceptable to FINRA to conduct a comprehensive review of the adequacy of Respondent's compliance with FINRA Rules 3110(a), 2111, and 2010, including but not limited to, the firm's policies, systems and procedures related to non-traditional and volatility-linked ETPs.
 - b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Respondent during the two years prior to the date of the notice of acceptance of this AWC.
 - c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Respondent shall require the independent consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the independent consultant's communications with FINRA. Further, upon request, Respondent shall make available to FINRA any and all communications between the independent consultant and the Respondent and documents examined by the independent consultant in connection with this review.
 - d. Refrain from terminating the relationship with the independent consultant without FINRA's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to FINRA;
 - e. Require the independent consultant to submit an initial written report to Respondent and FINRA at the conclusion of the independent consultant's review, which shall be no more than 120 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's policies, systems, and procedures relating to non-traditional and volatility-linked ETPs; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to its non-traditional and volatility-linked ETP business; (iv)

make recommendations as to whether additional restitution is necessary for customer losses suffered as a result of non-traditional or volatility-linked ETP sales that occurred after the relevant period of this AWC; and

- (i) Within 60 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the independent consultant or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and FINRA.
- (ii) Respondent shall require the independent consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and (B) provide Respondent and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the independent consultant and Respondent are unable to agree, Respondent must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the independent consultant.
- (iii) Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Respondent shall provide the independent consultant and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of

which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without FINRA's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondent or any of Respondent's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.
3. Respondent shall further retain the independent consultant to conduct a follow-up review and submit a final written report to the Respondent and to FINRA no later than one year from the date of the notice of acceptance of this AWC. In the final report, the independent consultant shall address Respondent's implementation of the systems, policies, procedures, and training, and shall make any further recommendations it deems necessary. Within 30 days of receipt of the independent consultant's final report, Respondent shall adopt and implement the recommendations contained in the final report, and inform FINRA in writing that it has done so.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 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 its acceptance or rejection.

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 its subject matter 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 testimonial obligations or 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

May 13, 2021

Date

Ramu Singh

Calton & Associates, Inc.
Respondent

Print Name: Ramu Singh

Title: President, Advisory

Accepted by FINRA:

May 17, 2021

Date

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

Jessica Zetwick-Skryzhynskyy

Jessica Zetwick-Skryzhynskyy
Director
FINRA
Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20820

ATTACHMENT A

SCHEDULE OF RESTITUTION

Customer No.	Account Number (last four digits only)	Restitution Amount (Exclusive of Interest)
1	*4949	\$4,079.60
2	*5184	\$965.26
3	*8890	\$9,953.25
4	*2250	\$11,015.73
5	*6512	\$1,044.78
6	*2861	\$5,155.66
7	*2646	\$1,531.08
8	*6084	\$88.77
9	*8670	\$2,487.90
10	*2281	\$2,029.70
11	*3270	\$314.70
12	*9304	\$38,549.89
13	*3119	\$461.84
14	*8207	\$2,311.08
15	*2960	\$14,930.59
16	*6891	\$1,793.56
17	*5148	\$1,374.07
18	*6037	\$49.18
19	*1633	\$379.00
20	*8957	\$66.44
21	*3252	\$18,984.64
22	*9646	\$21,397.09
23	*1022	\$199.65
24	*3236	\$4,667.20
25	*1100	\$227.19
26	*2233	\$196.51
27	*3915	\$20,639.67
28	*4316	\$12.35
29	*7827	\$11,029.27
30	*0645	\$1,354.69
31	*0830	\$5,486.04
32	*2824	\$89,833.98
33	*4238	\$1,922.76
34	*5394	\$3,820.85
35	*1375	\$17,986.12
36	*7329	\$51,436.16
37	*1157	\$495.50
38	*8254	\$1,786.35
39	*7750	\$1,786.68

Customer No.	Account Number (last four digits only)	Restitution Amount (Exclusive of Interest)
40	*2695	\$1,655.37
41	*6942	\$751.17
42	*1735	\$2,068.66
43	*6673	\$6,074.44
44	*0082	\$930.08
45	*5753	\$1,354.14
46	*9804	\$745.35
47	*9778	\$1,493.09
48	*5980	\$1,427.21
49	*2093	\$3,761.31
50	*6126	\$1,528.22
51	*2956	\$6,897.47
52	*0944	\$93.88
53	*4155	\$5,244.57
54	*4689	\$137.89
55	*4333	\$3,264.32
56	*6756	\$10,830.71
57	*5611	\$12,593.95
58	*7321	\$842.92
59	*5727	\$8,516.72
60	*0004	\$33.14
61	*0008	\$1,411.96
62	*0011	\$3,292.47
63	*0013	\$722.27
64	*0028	\$339.96
65	*0029	\$244.17
66	*0044	\$4,307.25
67	*0045	\$769.51
68	*0054	\$129.09
69	*0056	\$198.51
70	*0058	\$75.51
71	*0060	\$133.13
72	*0064	\$315.86
73	*0072	\$38.72
74	*0009	\$918.38
75	*0010	\$3,324.84
76	*0011	\$2,958.32
77	*0012	\$2,458.08
78	*0015	\$682.46
79	*0018	\$138.01
80	*0019	\$1,098.13
81	*0020	\$1,180.79
82	*0023	\$1,265.52

Customer No.	Account Number (last four digits only)	Restitution Amount (Exclusive of Interest)
83	*0025	\$744.45
84	*0026	\$1,431.27
85	*0028	\$900.27
86	*0031	\$1,826.06
87	*0033	\$1,273.64
88	*0035	\$989.85
89	*0040	\$849.29
90	*0042	\$273.35
91	*0043	\$1,308.46
92	*0049	\$695.83
93	*0051	\$695.74
94	*0052	\$884.64
95	*0053	\$897.33
96	*0055	\$792.70
97	*0062	\$339.77
98	*0135	\$2,259.44
99	*0142	\$1,901.34
100	*0143	\$196.23
101	*0144	\$137.40
102	*0145	\$631.82
103	*0146	\$218.47
104	*0147	\$197.93
105	*0150	\$286.53
106	*0153	\$463.19
107	*0154	\$497.94
108	*0155	\$296.85
109	*0162	\$298.78
110	*3079	\$2,395.03
111	*3149	\$231.32