

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065178201**

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

RE: BNA Wealth, Inc. (Respondent)
Member Firm
CRD No. 39326

Pursuant to FINRA Rule 9216, Respondent BNA Wealth, 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

BNA Wealth, formerly Consolidated Securities, is an investment advisor and broker-dealer firm headquartered in Rock Hill, South Carolina, and has been a FINRA member firm since 1995. The firm has one branch office and currently employs three registered representatives.¹

OVERVIEW

Between January 2018 and April 2022, BNA Wealth violated Municipal Securities Rulemaking Board (MSRB) Rules G-2, G-3, and A-12 by conducting a municipal securities business without being registered to do so and by failing to employ at least one qualified municipal principal to supervise that business. In addition, the firm violated MSRB Rule G-27 by failing to establish and maintain a supervisory system and written procedures reasonably designed to supervise municipal securities transactions.

Between January 2018 and June 2020, BNA Wealth also violated NASD Rule 1017 and FINRA Rule 1017 by failing to file an application with FINRA prior to implementing a material change in its business operations.² In addition, the firm violated FINRA Rule 3110 because its supervisory system, including its written supervisory procedures, was

¹ For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

² FINRA Rule 1017 superseded NASD Rule 1017 on May 8, 2019.

not reasonably designed to achieve compliance with the firm's obligation to conduct and document due diligence on private placements.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle exam of the firm.

- 1. BNA Wealth violated MSRB Rules G-2, G-3, and A-12 by failing to register with the MSRB prior to selling municipal securities and failing to employ at least one qualified municipal principal to supervise 529 plan activity.**

MSRB Rule G-2 states that “[n]o broker, dealer or municipal securities dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any municipal security, and no municipal advisor shall engage in municipal advisory activities, unless such broker, dealer, municipal securities dealer or municipal advisor and every natural person associated with such broker, dealer, municipal securities dealer or municipal advisor is qualified in accordance with the rules of the [MSRB].”

MSRB Rule G-3(b)(iii)(B) provides that “every broker, dealer or municipal securities dealer having fewer than eleven persons associated with it . . . shall have at least one municipal securities principal.”

MSRB Rule A-12(a) states that “[e]ach broker, dealer, and municipal securities dealer prior to engaging in municipal securities activities must register with the [MSRB].”

Because 529 plans are municipal securities, the sales of 529 plans are governed by the rules of the MSRB.³

The firm was aware as early as January 2009 that it was required to register with the MSRB and employ a municipal securities principal before selling municipal securities or receiving commissions from the sale of such securities. Despite this, between January 2018 and April 2022, BNA Wealth sold 529 plans totaling approximately \$260,000 to four customers. Although the firm received no up-front commissions, it received trailing commissions relating to the above-mentioned new 529 plans as well as five previously sold 529 plans while the firm was not registered with the MSRB and did not employ a municipal securities principal.⁴

Therefore, BNA Wealth violated MSRB Rules G-2, G-3, and A-12.

³ Regulatory Notice 19-04, at 1 (Jan. 28, 2019).

⁴ During this period, the firm attempted, unsuccessfully, to be removed as the broker of record for the five previously sold 529 plans.

2. BNA Wealth violated MSRB Rule G-27 by failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with MSRB rules in connection with the sale of municipal securities.

MSRB Rule G-27 requires brokers, dealers, and municipal securities dealers to establish and maintain a system, including written procedures, to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with MSRB rules.

Between January 2018 and April 2022, BNA Wealth failed to establish and maintain a supervisory system and written procedures reasonably designed to supervise municipal securities transactions. The firm's procedures failed to address the supervision of municipal securities, the firm employed no qualified municipal securities principal, and a registered representative who was not a qualified municipal securities principal reviewed and approved the firm's municipal securities transactions.

Therefore, BNA Wealth violated MSRB Rule G-27.

3. BNA Wealth violated NASD Rule 1017 and FINRA Rule 1017 by selling private placements prior to amending its membership application with FINRA.

FINRA Rule 1017(a) and its predecessor, NASD Rule 1017(a), require firms to file an application with FINRA for approval of any material change in business operations. Whether a change in business operation is material depends on the relevant facts and circumstances. NASD Rule 1017(c) and FINRA Rule 1017(c) prohibit firms from implementing a material change in business operations until such change is approved by FINRA. A violation of NASD Rule 1017 or FINRA Rule 1017 also constitutes a violation of FINRA Rule 2010, which requires members and their associated persons in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

Between January 2018 and June 2020, BNA Wealth sold six private placements to a total of 24 customers when its membership agreement did not permit the firm to sell private placements. By doing so, BNA Wealth implemented a material change in its business operations. The firm did not amend its membership agreement with FINRA before selling those private placements. In November 2020, the firm filed an application with FINRA seeking approval to engage in private placements, which FINRA granted in January 2021.

Therefore, BNA Wealth violated NASD Rule 1017 and FINRA Rules 1017 and 2010.

4. BNA Wealth violated FINRA Rule 3110 because its supervisory system was not reasonably designed to achieve compliance with FINRA rules in connection with the sale of private placements.

FINRA Rule 3110(a) requires that a member firm 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) requires a member firm to 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 the applicable securities laws and regulations, and with applicable FINRA Rules. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

FINRA Rule 2111 provides that member firms and their associated persons “must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.” In the context of a private placement, to have a reasonable basis to recommend a transaction, a broker-dealer must conduct a reasonable investigation of the issuer and the securities at issue. FINRA Regulatory Notice 10-22 states that member firms should retain records documenting both the process and results of their investigations.

BNA Wealth failed to establish and maintain a reasonable supervisory system, including written supervisory procedures, with respect to its obligations under FINRA Rule 2111 to perform and document reasonable due diligence on six private placement offerings the firm recommended to its customers. Between January 2018 and June 2020, the firm’s supervisory system contained no procedures related to the sale of private placements or the firm’s obligation to conduct due diligence for private placements. In 2021, the firm amended its procedures to address the sale of private placements and the firm’s related due diligence.

Therefore, BNA Wealth violated FINRA Rules 3110 and 2010.

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

- a censure,
- a \$45,000 fine (\$10,000 of which pertains to the violations of MSRB Rules G-2, G-3, G-27, and A-12), and
- an undertaking that, within 180 days of the date of the notice of acceptance of this AWC, a member of Respondent’s senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and either (a) registered with the MSRB, employed a municipal securities principal, and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with MSRB rules, or (b) no longer engages in any municipal securities business, including but not limited to the receipt of any

commissions in connection with municipal securities. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Jonathan Ossip, Counsel, Department of Enforcement, 1735 K Street NW, Washington, DC 20006, and via email to jonathan.ossip@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction 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 sanction imposed in this matter.

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 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 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

February 6, 2023

Date

Adam E. Ackerman

BNA Wealth, Inc.

Respondent

Print Name: Adam E. Ackerman

Title: President

Accepted by FINRA:

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

February 6, 2023

Date

JJO

Jonathan J. Ossip

Counsel

FINRA

Department of Enforcement

1735 K Street NW

Washington, DC 20006