

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021070877701**

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

RE: The Frazer Lanier Company, Incorporated (Respondent)
Member Firm
CRD No. 7089

Pursuant to FINRA Rule 9216, Respondent The Frazer Lanier Company, Incorporated 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

Frazer Lanier has been a FINRA member and has been registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Dealer since 1976. Frazer Lanier is headquartered in Montgomery, Alabama and has 15 registered individuals located in three branch offices. Municipal securities underwriting is one of Frazer Lanier's principal lines of business.

In an AWC issued in May 2017, the firm was censured and fined \$55,000 for: (i) failing to report transactions to the MSRB's Real-time Transaction Reporting System and FINRA's Trade Reporting and Compliance Engine and related supervisory violations, in violation of MSRB Rules G-14 and G-27, NASD Rule 3010, and FINRA Rules 6730, 3110 and 2010; and (ii) failing to adopt, maintain, and enforce written supervisory procedures (WSPs) reasonably designed to ensure that neither the firm nor its municipal finance professionals (MFPs) used certain payments to third-parties, including political parties and non-dealer controlled political action committees (PACs) to contribute indirectly to an official of an issuer in order to secure municipal securities business, in violation of MSRB Rule G-27.¹

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

OVERVIEW

From January 2018 through the present, Frazer Lanier violated MSRB Rules G-27(a), (b), and (c) by failing to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to achieve compliance with the provisions of MSRB Rule G-37(b) governing political contributions by municipal dealers and MFPs and the provisions of MSRB Rules G-37(c) and (d) governing political contributions by municipal dealers and MFPs through PACs or other conduit entities.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a regulatory tip to FINRA.

MSRB Rule G-27(a) requires brokers, dealers, and municipal securities dealers to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Securities Exchange Act of 1934 and Exchange Act rules. MSRB Rule G-27(b) requires brokers, dealers, and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. MSRB Rule G-27(c) requires brokers, dealers, and municipal securities dealers to adopt, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with MSRB Rule G-27(a).

Frazer Lanier failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-37(b).

MSRB Rule G-37(b) prohibits brokers, dealers, and municipal securities dealers from engaging in municipal securities business with a municipal entity within two years of the dealer, an MFP of the dealer, or a PAC controlled by the dealer or an MFP of the dealer, making a political contribution to an official of the municipal entity with dealer selection influence. MSRB Rule G-37(b) incorporates a *de minimis* exception which allows MFPs to make contributions to issuer officials for whom they are entitled to vote, provided such contributions, in total, do not exceed \$250 per MFP to each official per election. Guidance issued by the MSRB provides that primary and general elections are treated as separate elections for purposes of the *de minimis* exception to MSRB Rule G-37(b).² The MSRB's guidance also provides that an MFP's contribution from a joint checking account is attributed to the MFP alone if the MFP was the sole person who signed the contribution check.³

² *Questions and Answers Concerning Political Contributions and Prohibitions on Municipal Securities Business: Rule G-37*, at II.8 (May 24, 1994) (available at [msrb.org/Questions-and-Answers-Concerning-Political-Contributions-and-Prohibitions-Municipal-Securities](https://www.msrb.org/Questions-and-Answers-Concerning-Political-Contributions-and-Prohibitions-Municipal-Securities)).

³ *Id.* at II.20, II.21 (Feb. 16, 1996).

The firm's WSPs required employees to disclose to the firm their political contributions, but prior to January 2020, the WSPs did not specify when such disclosures had to be made or whether and how firm supervisors were expected to review the disclosures. In January 2020, the firm amended its WSPs to make mandatory the firm's existing, informal practice of employees disclosing political contributions to the firm on a quarterly basis, and assigned a supervisor the responsibility to review disclosed political contributions. However, the review, which focused on political contributions exceeding \$250, was not required to be documented, and the firm did not begin documenting the review until March 2022.

Prior to March 2020, the firm had no system to aggregate employee political contributions and thereby track how much an employee donated to a given candidate during a primary or general election. Although employees used a form to disclose their contributions, the form did not require employees to disclose the date of a political contribution, whether the contribution was intended for a primary or general election, or whether the employee had made prior contributions to the same candidate. This information was necessary to determine whether an employee's political contribution should have been aggregated with one or more prior contributions for purposes of determining whether the \$250 *de minimis* exception in MSRB Rule G-37(b) was exceeded.

During the period from January 2018 through the present, Frazer Lanier did not require employees to provide documentary support for their attestations, such as checks or receipts, evidencing their political contributions. This failure hindered the firm's ability to determine, among other things, whether a contribution from joint account holders should have been attributed to one or both of the account holders for purposes of Rule G-37(b) based on the signatory of the check. As a result of the firm's unreasonable supervisory system and procedures, the firm failed to detect that a \$500 political contribution by a firm MFP in May 2018 from a joint checking account, which the MFP reported as two separate \$250 contributions, exceeded MSRB Rule G-37(b)'s *de minimis* exception.

By failing to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-37(b), Frazer Lanier violated MSRB Rules G-27(a), (b), and (c).

Frazer Lanier failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rules G-37(c) and (d).

MSRB Rule G-37(c) prohibits brokers, dealers, municipal securities dealers, and their MFPs from soliciting any person or PAC to make any contribution or payment, or coordinate any contribution or payment, to an official of a municipal entity with dealer selection influence or political party of a state or locality where the dealer is engaging or seeking to engage in municipal securities business. MSRB G-37(d) prohibits brokers, dealers, municipal securities dealers and their MFPs from using any other person or

means, including conduits such as PACs, to directly or indirectly make contributions to issuer officials that violate MSRB Rule G-37(b) or (c).⁴

During the period from January 2018 through the present, Frazer Lanier was a dues-paying member of a non-profit organization that contributed to and endorsed political candidates through the organization's affiliated PAC. Frazer Lanier employees held leadership positions within the non-profit organization, and one of Frazer Lanier's MFPs served in a leadership position with the organization's affiliated PAC. The firm was aware that the non-profit organization engaged in political activities and contributed to political candidates through the PAC.

Notwithstanding the firm's membership in the non-profit organization and the leadership positions discussed above, the firm did not have a reasonable supervisory system or WSPs concerning PAC-related activity. The firm had no system to monitor the PAC's endorsements or contributions to political candidates, including to detect whether the PAC made any contributions to officials of municipal entities with dealer selection influence. Although the firm obtained letters from the non-profit organization stating that the firm's membership dues would not be used to make political contributions or payments, the firm had no WSPs restricting the use of its membership dues or providing any mechanism to ensure that its membership dues would not be used to make prohibited political contributions or payments.

By failing to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with the provisions of MSRB Rules G-37(c) and (d), Frazer Lanier violated MSRB Rules G-27(a), (b), and (c).

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

- a censure;
- a \$125,000 fine; and
- an undertaking that, within 60 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 implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with MSRB Rule G-37 regarding the issues identified in this AWC. 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 Evan Ennis, Principal Counsel, 581 Main St. #710, Woodbridge, NJ 07095, evan.ennis@finra.org, with

⁴ MSRB Rules G-37(c) and (d) impose similar restrictions on municipal advisors and municipal advisor professionals.

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.

12/17/24
Date

Robert H. Young Jr
The Frazer Lanier Company, Incorporated
Respondent

Print Name: Robert H. Young Jr
Title: President

Reviewed by:
Trace Schmeltz
Trace Schmeltz
Counsel for Respondent
Barnes & Thornburg LLP
One North Wacker Drive Suite 4400
Chicago, IL 60606

Accepted by FINRA:

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

January 7, 2025
Date

Evan Ennis
Evan Ennis
Principal Counsel
FINRA
Department of Enforcement
581 Main St. #710
Woodbridge, NJ 07095