

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072487002**

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

RE: Crews & Associates, Inc. (Respondent)
Member Firm
CRD No. 8052

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

BACKGROUND

Crews has been a FINRA member since September 1979. It is a broker-dealer headquartered in Little Rock, Arkansas, that specializes in fixed income products, including municipal bonds. Crews has 132 registered representatives in 23 branches.

In August 2021, Crews was sanctioned by the Securities and Exchange Commission for willfully violating MSRB Rule G-17 by recommending, at the direction of the firm's then-CEO, that a customer buy bonds through a tender offer without disclosing to the customer a conflict of interest arising from a Crews affiliate holding the same securities. Crews was also sanctioned for willfully violating MSRB Rule G-27 by failing to maintain a reasonably designed system to supervise the municipal securities activities of its associated persons, and willfully violating Section 15B(c)(1) of the Securities Exchange Act of 1934, which prohibits broker-dealers from effecting transactions in municipal securities in contravention of MSRB rules. The SEC censured the firm, ordered it to cease and desist from future violations of Section 15B(c)(1), and ordered it to pay a total of \$244,072 in disgorgement, prejudgment interest, and civil monetary penalties.¹

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

OVERVIEW

From August 2015 through the present, Crews has sold municipal bonds to an affiliated bank while prohibiting markups when selling bonds to the affiliate. During that same period, the firm failed to implement a reasonable supervisory system, including written supervisory procedures, to address the conflict of interest in the selling arrangement between Crews and its affiliate and, thus, to monitor for potential violations of MSRB Rules G-18 and G-17 in connection with charging such markups. Crews therefore violated MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a cause exam by FINRA's Department of Member Supervision following Crews' filing of a Uniform Termination Notice for Securities Industry Registration (Form U5) for its former head trader and CEO.

MSRB Rule G-18(a) requires that in any transaction in a municipal security for or with a customer or a customer of another broker, dealer, or municipal securities dealer, a dealer must use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. MSRB Rule G-18(b) provides that "a dealer must not interject a third party between itself and the best market for the subject security in a manner inconsistent with paragraph (a) of this rule."

MSRB Rule G-17 provides that each broker, dealer, municipal securities dealer, and municipal advisor, in the conduct of its municipal securities activities, "shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice."

MSRB Rule G-27(a) requires each broker, dealer, and municipal securities dealer to supervise the conduct of its municipal securities activities to ensure compliance with MSRB rules and federal securities laws. MSRB Rules G-27(b) and G-27(c) require each firm to establish and maintain a system, and to establish, maintain and enforce written supervisory procedures, to supervise its municipal securities activities in a manner reasonably designed to achieve compliance with MSRB rules and the federal securities laws.

From August 2015 through the present, Crews has sold municipal bonds to a bank affiliate. The affiliate's banking regulators prohibited the affiliate from paying a markup when buying secondary market bonds from Crews. As a result, Crews agreed with its affiliate to not sell its secondary market bonds with a markup. Crews therefore created two trading accounts for traders involved in sourcing bonds for the affiliate: (i) an account for bonds Crews intended to sell to its affiliate, in which markups were not added, and (ii) a general inventory account, in which the firm added markups, intended for use when selling to other customers.

From August 2015 through the present, Crews failed to implement a reasonable supervisory system, including written supervisory procedures, to address the conflict of interest in the selling arrangement between Crews and its affiliate and, thus, to monitor

for potential violations of MSRB Rules G-18 and G-17 in connection with charging markups to the bank affiliate. The firm did not discover, and therefore did not review for, potential indirect sales of bonds in general inventory to its affiliate through third-party intermediaries until August 2021. In addition, the firm's written supervisory procedures to date do not address the conflict presented when placing bonds in the affiliate-related account (precluding a markup) versus general inventory (entailing a markup).

From January 2017 through June 2021, the firm, through its former head trader, failed to abide by the arrangement with the affiliate bank and third-party broker-dealers were interposed in 94 transactions. Specifically, bonds were allocated to general inventory, a markup was added, and then the bonds were indirectly sold to Crews' affiliate bank using third-party broker-dealers as intermediaries.²

Therefore, Crews violated MSRB Rule G-27.

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

- a censure;
- a \$50,000 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 Rules G-18 and G-17 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 Jeffrey E. Baldwin, Senior Counsel, at 1601 Market Street, Suite 2700, Philadelphia, PA 19103 and/or Jeffrey.Baldwin@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.

² Crews, after discovery of these transactions, permitted the trader to resign and reimbursed its affiliate \$918,476 for markups and fees resulting from the trader's actions.

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:

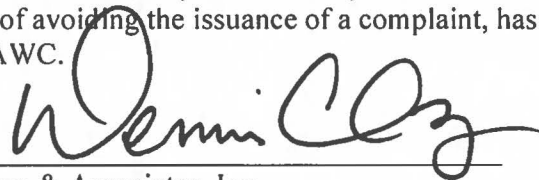
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may 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.

4-25-2023

Date



Crews & Associates, Inc.

Respondent

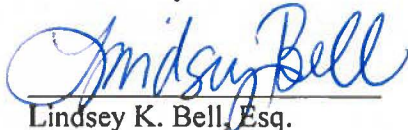
Print Name:

Dennis Clay

Title:

CEO

Reviewed by:



Lindsey K. Bell, Esq.
Legal Counsel
Crews & Associates, Inc.
314 N. Spring Street
Searcy, Arkansas 72143

Accepted by FINRA:

05/16/2023

Date

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



Jeffrey E. Baldwin
Senior Counsel
FINRA
Department of Enforcement
1601 Market Street
Suite 2700
Philadelphia, PA 19103