

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039093501**

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

RE: Investment Professionals, Inc., Respondent
Member Firm
CRD No. 30184

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Investment Professionals, Inc. ("IPI," the "Firm," or "Respondent"), 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 the Firm 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

IPI has been a FINRA member firm since 1992. The Firm is headquartered in San Antonio, Texas. The Firm currently has approximately 361 registered individuals and 305 branch offices.

OVERVIEW

IPI failed to supervise the advisory activities of nine registered representatives who were dually-registered with unaffiliated registered investment advisors (RIAs). IPI also failed to record the transactions that these representatives executed away from the Firm through these RIAs on its own books and records. As a result of these failures, IPI violated NASD Rules 3010(a) and 3040(c)(2), and FINRA Rule 2010.

Moreover, IPI failed to preserve securities-related emails sent to and received from seven email addresses that were utilized in connection with Bloomberg terminals at IPI's Bethlehem, Pennsylvania branch office in violation of violated

Section 17(a) of the Exchange Act and Rule 17a-4 thereunder, NASD Rule 3010(a), and FINRA Rules 2010 and 4511.

FACTS AND VIOLATIVE CONDUCT

1. *IPI failed to supervise private securities transactions of registered representatives who were dually registered with IPI and an RIA.*

NASD Rule 3040(c) provides that if an associated person “has received or may receive selling compensation” in connection with the sale of a private securities transaction, and the member firm approves the transaction, then the member firm must supervise the transaction and include it on its own books and records “as if the transaction were executed on behalf of the member.”

The NASD advised in its Notice to Members 94-44 that the requirements of NASD Rule 3040 applied “to all investment advisory activities conducted by [individuals dually registered as registered representatives and registered investment advisors] that result in the purchase or sale of securities by the associated person’s advisory clients, with the exception of their activities on behalf of the member.”

NASD Rule 3010(a) requires member firms to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations.

FINRA Rule 2010 requires member firms to “observe high standards of commercial honor and just and equitable principles of trade.”

Between April 9, 2012 and September 25, 2014, IPI treated RIA activities as outside business activities, and merely required registered representatives to disclose their association with unaffiliated RIAs. Accordingly, IPI did not supervise the RIA activities of nine registered representatives who were dually registered with three unaffiliated RIAs. These nine representatives had more than \$500 million in assets under management. In each instance, the dually-registered representatives participated in the execution of private securities transactions on behalf of their advisory clients.

IPI failed to comply with its responsibilities under NASD Rule 3040(c)(2) to supervise these representatives’ “participation in the transaction[s] as if the transaction[s] were executed on behalf of the member.” Moreover, IPI failed to record these transactions on its own books and records. IPI also failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with NASD Rule 3040, and thereby violated NASD Rule 3010(a)

Accordingly, IPI's failure to appropriately supervise its registered representatives' private securities transactions violated NASD Rules 3010(a) and 3040(c)(2), and FINRA Rule 2010.

2. *IPI failed to preserve securities-related emails that were sent and received by five of its registered representatives.*

NASD Rule FINRA Rule 4511 require member firms to maintain and preserve their books and records in accordance with SEC Rules 17a-3 and 17a-4.

SEC Rule 17a-4(b)(4) requires that member firms preserve for a period of not less than three years all communications with the public, relating to its business as such.

A member firm's failure to maintain required books and records also violates NASD Rule 3010(a) and FINRA Rule 2010.

Between June 29, 2012 and September 25, 2014, IPI failed to preserve securities-related emails sent to and received from seven email addresses that were utilized in connection with Bloomberg terminals at IPI's Bethlehem, Pennsylvania branch office. This supervisory failure was precipitated by the firm's failure to investigate whether the Bloomberg terminals had assigned email addresses.

Accordingly, IPI violated Section 17(a) of the Exchange Act and Rule 17a-4 thereunder, NASD Rule 3010(a), and FINRA Rules 2010 and 4511.

- B. The Firm also consents to the imposition of the following sanctions:

A censure and a fine of \$170,000.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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 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

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code

of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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 prejudice 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.

Respondents 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

The Firm 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 my permanent disciplinary record and may be considered in any future actions 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 I 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 Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has agreed to its 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 me Respondent to submit it.

6/14/2016
Date (mm/dd/yyyy)

Investment Professionals, Inc., Respondent

By: Brian Swick

Name: Brian Swick

Title: CEO

Accepted by FINRA:

7/1/2016
Date

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

Michael P. Manly

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