

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014038994601**

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

RE: NPB Financial Group, LLC Respondent  
Member Firm  
CRD No. 137743

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, NPB Financial Group, LLC (“NPB”) 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 NPB alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. NPB 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**

NPB has been a FINRA member since January 2006 and is headquartered in Burbank, California. The firm engages in general securities business and employs approximately 64 registered representatives working from approximately 42 branch offices. The firm has no relevant disciplinary history.

**OVERVIEW**

From June 2012 through May 2014 (the “relevant period”), NPB failed to: (i) establish, maintain, and enforce adequate written supervisory procedures for the review of email, (ii) review the email of the firm’s president, chief executive officer, and chief compliance officer, and (iii) adequately enforce its written supervisory procedures regarding the use of non-firm email addresses by its registered representatives in violation of NASD Rules 3010(b) and 3010(d)(2) and FINRA Rule 2010. Also during the relevant period, NPB failed to establish and enforce adequate written supervisory control procedures for the supervision of its producing managers and failed to conduct sufficient testing and verification to

ensure the adequacy of the firm's supervisory system in violation of NASD Rules 3012(a)(2)(A) and 3012(a)(1) and FINRA Rules 3130 and 2010.<sup>1</sup>

### **FACTS AND VIOLATIVE CONDUCT**

#### ***NPB Failed to Establish, Maintain, and Enforce Adequate Written Supervisory Procedures Related to Email***

NASD Rule 3010(b) required every member firm to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD [and FINRA].” NASD Rule 3010(d)(2) further required that firms have written procedures for the review of electronic correspondence of its registered representatives. Violations of NASD Rule 3010 are also violations of FINRA Rule 2010.

During the relevant period, NPB failed to establish adequate written supervisory procedures for the review of email. The firm's written supervisory procedures were deficient because they did not specify: (a) the amount of email required to be reviewed; (b) how the firm would supervise the review of email; (c) the timing and frequency of such supervision; and (d) how such supervision was to be documented. Additionally, the written supervisory procedures failed to identify a process by which the email of the firm's president, chief executive officer, and chief compliance officer was to be reviewed. As a result, the firm did not review this individual's email during the relevant period.

Additionally, during the relevant period, the firm's written supervisory procedures prohibited registered representatives from using non-firm email addresses for NPB business-related communications. The firm did not enforce this prohibition. As a result, at least three of the firm's registered representatives used non-firm email addresses for NPB business purposes. By failing to enforce its policy prohibiting the use of non-firm email addresses for NPB business-related communications, the firm failed to adequately supervise its registered representatives' written communications.

By virtue of the foregoing, NPB violated NASD Rules 3010(b) and 3010(d)(2) and FINRA Rule 2010.

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<sup>1</sup> NASD Rule 3010 was replaced by FINRA Rule 3110 effective December 1, 2014, and NASD Rule 3012 was replaced by FINRA Rule 3120 effective December 1, 2014. Because the conduct at issue occurred prior to December 1, 2014, NASD Rules 3010 and 3012 apply.

***NPB Failed to Establish, Maintain, and Enforce Adequate  
Written Supervisory Control Policies and Procedures***

NASD Rule 3012(a)(2)(A) required every member firm to establish, maintain, and enforce written supervisory control policies and procedures, including procedures designed to review and supervise the customer account activity of managers, including producing managers. The rule also required that a person either senior to or otherwise independent of such a producing manager perform the review.

NASD Rule 3012(a)(1) required, among other things, that every member firm identify and designate a principal to establish, maintain, and enforce a system of supervisory control policies and procedures that “(A) test and verify that the member’s supervisory procedures are reasonably designed with respect to the activities of the member and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable NASD [and FINRA] rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification.” The principal must submit a report to a firm’s senior management no less than annually detailing the firm’s system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

FINRA Rule 3130 requires, among other things, that the firm’s CEO certify annually that the firm has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations. Violations of NASD Rule 3012 and FINRA Rule 3130 are also violations of FINRA Rule 2010.

During the relevant period, NPB’s written supervisory control procedures for the supervision of producing managers were deficient because they did not address: (a) how the firm would supervise the securities business of its producing managers; (b) the timing and frequency of such supervision; and (c) how such supervision was to be documented. As a result of the firm’s inadequate written supervisory control procedures, the firm improperly permitted some of its producing managers to approve their own transactions and to approve new account forms of their own customers. By virtue of the foregoing, NPB violated NASD Rule 3012(a)(2)(A) and FINRA Rule 2010.

Also during the relevant period, for the calendar years 2013 and 2014, the firm prepared and submitted reports, pursuant to NASD Rule 3012(a)(1), and certifications, pursuant to FINRA Rule 3130, that were inadequate because the firm had failed to conduct sufficient testing or verification of its supervisory procedures as required by NASD Rule 3012(a)(1) and FINRA Rule 3130. By

virtue of the foregoing, NPB violated NASD Rule 3012(a)(1) and FINRA Rule 2010.

By virtue of the foregoing, NPB violated NASD Rules 3012(a)(2)(A) and 3012(a)(1) and FINRA Rules 3130 and 2010.

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

- Censure and a \$35,000 fine.

NPB agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. NPB has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

NPB 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

NPB 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, NPB 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.

NPB 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

NPB 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 NPB; and
- C. If accepted:
  - 1. this AWC will become part of NPB's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
  - 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. NPB 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. NPB 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 NPB'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. NPB may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. NPB 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 or its

staff.

The undersigned, on behalf of the NPB, certifies that a person duly authorized to act on its 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 NPB 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 NPB to submit it.

10/31/17  
Date (mm/dd/yyyy)

Shirley J. Coria VP/COO  
NPB Financial Group, LLC  
Respondent

By: Shirley J. Coria

Reviewed by:

[Signature]  
Edward S. Gelfand, Esq.  
Counsel for Respondent  
Gartenberg Gelfand Hayton LLP  
15260 Ventura Boulevard, Suite 1920  
Sherman Oaks, CA 91403  
(213) 542-2100

Accepted by FINRA:

11/17/2017  
Date

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

[Signature]  
Robert Kennedy  
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