

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2024080106601**

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

RE: Hovde Group, LLC (Respondent)
Member Firm
CRD No. 25425

Pursuant to FINRA Rule 9216, Respondent Hovde Group, LLC 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

Hovde Group, LLC has been a FINRA member firm since 1990. The firm, which is headquartered in Inverness, Illinois, has approximately 40 registered representatives and primarily engages in investment banking, research services, and proprietary trading.¹

OVERVIEW

From August 2020 until July 2024, Hovde Group failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to review the securities transactions in its associated persons' outside brokerage accounts for potential violations of securities laws and FINRA rules. As a result, the firm violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle examination of Hovde Group.

FINRA Rule 3110(a) requires each member firm to “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)(1) requires that each member firm “establish, maintain, and

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

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 applicable securities laws and regulations, and with applicable FINRA rules.”

FINRA Rule 3110(d)(1) requires that a firm’s supervisory procedures include a process for the review of securities transactions that is “reasonably designed to identify trades that may violate the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices that are effected for” various types of accounts, including “accounts of a person associated with the member that are disclosed to the member pursuant to FINRA Rule 3210.”

FINRA Rule 3210(a) requires associated persons to obtain the prior written consent of their employer firm before opening or establishing at a member other than the employer firm, or at any other financial institution, any account in which securities transactions can be effected and in which the associated person has a beneficial interest.

A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires a member firm to observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business.

From August 2020 until July 2024, Hovde Group failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to review the securities transactions in its associated persons’ disclosed outside brokerage accounts for potential violations of securities laws and FINRA rules. The firm had no WSPs or other process requiring that it track or take steps to verify that it received and reviewed account statements for each disclosed account. It also had no written procedures or process to ensure that once received by the firm, the firm reviewed the account statements. From August 2020 through February 2024, the firm failed to review any account statements for more than 140 disclosed outside brokerage accounts belonging to its associated persons.

In March 2024, the firm resumed reviewing account statements. In July 2024, the firm revised its WSPs for reviewing its associated persons’ disclosed outside securities accounts.

By failing to establish, maintain, and enforce a reasonable supervisory system and procedures to review the securities transactions in its associated persons’ disclosed outside brokerage accounts, Hovde Group violated FINRA Rules 3110 and 2010 during the period August 2020 until July 2024.

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

- a censure;
- a \$60,000 fine; and
- an undertaking that, within 90 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 FINRA Rules 3110(a), (b), and (d) 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 Melissa DePetris, Senior Counsel, melissa.depetris@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.

December 30, 2024

Date

Kevin S. Grant

Hovde Group, LLC
Respondent
Print Name: Kevin S. Grant
Title: Chief Compliance Officer

Accepted by FINRA:

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

January 7, 2025

Date

Melissa DePetris

Melissa DePetris
Senior Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
New York, NY 10281