

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069376701**

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

RE: Thurston Springer Financial (Respondent)
Member Firm
CRD No. 8478

Pursuant to FINRA Rule 9216, Respondent Thurston Springer Financial (Thurston Springer) 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

Thurston Springer is a full-service broker-dealer headquartered in Indianapolis, Indiana. Thurston Springer has been a FINRA member since January 6, 1981, and has approximately 118 registered representatives in 34 branch offices.¹

OVERVIEW

From June 2020 through August 2021, Thurston Springer failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 (Regulation Best Interest or Reg BI). Separately, Thurston Springer has failed, since June 2020, to establish and maintain a supervisory system reasonably designed to achieve compliance with its obligations to file and deliver customer relationship summaries (Form CRS). As a result, Thurston Springer violated Reg BI and FINRA Rules 3110 and 2010.

As a result of these violations, as well as other violations described below, Thurston Springer has agreed to a censure, a \$150,000 fine, and an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a firm examination of Thurston Springer.

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

A. Thurston Springer failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with Regulation Best Interest.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI under the Securities Exchange Act of 1934. Rule 15l-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer.

Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of that firm's operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.²

Reg BI's Conflict of Interest Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iii), requires broker-dealers to establish, maintain, and enforce written policies and procedures addressing conflicts of interest, defined as interests that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Such procedures must be, among other things, reasonably designed to identify, and, at a minimum, disclose all conflicts of interests associated with such recommendations. This obligation applies to incentives that are provided to the associated person, whether by the firm or third parties, that are within the control of or associated with the broker-dealer's business.

FINRA Rule 3110(a) requires a 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) requires member firms to establish, maintain, and 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.

Violations of Reg BI and FINRA Rule 3110 are also violations of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

² *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

From June 2020 through August 2021, Thurston Springer failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Reg BI. While the firm’s WSPs discussed Reg BI in general terms, they did not establish procedures for achieving compliance with Reg BI’s Care and Conflict of Interest Obligations. For example, the WSPs contained no provisions describing the steps registered representatives should take to ensure that their recommendations are in the best interests of customers. Moreover, the WSPs contained no provisions describing how firm supervisors should review recommendations for compliance with Reg BI’s Care Obligation, including to determine whether the representative considered costs associated with the recommendation, as well as reasonably available alternatives. The WSPs also contained general provisions regarding identifying and mitigating conflicts of interest, but contained no specific provisions regarding disclosure of potential conflicts of interest to retail customers.

Therefore, Thurston Springer violated Exchange Act Rule 15c-1(a)(1) and FINRA Rules 3110 and 2010.

B. Thurston Springer failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with its Form CRS obligations.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare and deliver the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required “conversation starters” to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Securities Exchange Act of 1934 requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems “necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of” the Exchange Act. Exchange Act Rule 17a-14—titled “Form CRS, for preparation, filing and delivery of Form CRS”—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm’s public website.

Since June 30, 2020, Thurston Springer has failed to establish and maintain WSPs that are reasonably designed to achieve compliance with its Form CRS obligations.

Specifically, the firm's WSPs do not include procedures regarding delivering the Form CRS to prospective and new retail customers, updating the Form CRS when necessary, or creating and maintaining records related to the Form CRS. Moreover, the WSPs do not designate a supervisor with responsibility to achieve compliance with the firm's Form CRS obligations.

Therefore, Thurston Springer violated FINRA Rules 3110 and 2010.

C. Thurston Springer failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with its obligation to review electronic communications.

FINRA Rule 3110(b)(4) requires member firms to establish, maintain, and enforce written procedures for, among other things, the review of electronic correspondence relating to its investment banking or securities business, and require that such review be evidenced in writing. The procedures must be appropriate for the firm's business, size, structure, and customers.

From January 2021 through December 2021, Thurston Springer failed to establish, maintain, and enforce a reasonable supervisory system for email reviews, including reasonable procedures for conducting such reviews. For example, the firm's supervisory procedures did not address the firm's review of electronic communications to identify potential customer complaints, which could require reporting pursuant to FINRA Rule 4530.³

Therefore, Thurston Springer violated FINRA Rules 3110 and 2010.

D. Thurston Springer failed to timely amend two Forms U4 and failed to report civil litigation to FINRA.

Pursuant to Article V, Section 2 of FINRA's By-Laws, when any person applies to be registered with FINRA, the member firm must file a Form U4 containing certain disclosures. At all times relevant to this AWC, Question 14I(1) of the Form U4 asked, in relevant part, "Have you ever been named as a respondent/defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that you were involved in one or more sales practice violations and which is still pending?" Question 14I(4) asked, in relevant part, "Within the past twenty four (24) months, have you been the subject of an investment-related, consumer-initiated arbitration claim or civil litigation not otherwise reported under questions 14I(4) above, which alleged that you were involved in one or more sales practice violations and contained a claim for compensatory damages of \$5,000 or more?"

Article V, Section 2(c) of FINRA's By-Laws requires that member firms keep every Form U4 filed with FINRA current at all times by filing amendments no later than 30

³ Between January 2019 and January 2022, the firm disclosed no customer complaints to FINRA pursuant to Rule 4530.

days after learning of facts or circumstances giving rise to the amendment. FINRA Rule 1122 prohibits member firms from filing with FINRA “information with respect to registration that is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.” Failing to timely amend a Form U4 to disclose reportable events violates Article V, Section 2 of FINRA’s By-Laws, and FINRA Rule 1122.

FINRA Rule 4530(f) requires, in relevant part, that firms promptly file with FINRA copies of “any complaint in which a member is named as a defendant or respondent in any securities or commodities-related private civil litigation.”

A violation of Article V, Section 2 of FINRA’s By-Laws, or FINRA Rules 1122 or 4530 also constitutes a violation of FINRA Rule 2010.

In December 2020, a customer filed a complaint in the Circuit Court of Hamilton County, Indiana, naming Thurston Springer and two Thurston Springer registered representatives as defendants. The plaintiff alleged securities-related misconduct that met the requirements for mandatory reporting under Rule 4530(f). Thurston Springer failed to disclose on the representatives’ Forms U4 that they were named as defendants in a customer-initiated civil litigation involving allegations of sales practice violations. Thurston Springer also failed to disclose the litigation to FINRA in a Rule 4530 filing.

Therefore, Thurston Springer violated Article V, Section 2 of FINRA’s By-Laws, and FINRA Rules 1122, 4530, and 2010.

E. Thurston Springer failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with its obligation to review outside brokerage accounts of its associated persons.

FINRA Rule 3210 requires associated persons to obtain the prior consent of their employer firm before opening or establishing an account at another member. FINRA Rule 3110(d)(1) requires that a firm’s supervisory procedures include “a process for review of securities transactions that are 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 device[s] that are effected for the . . . accounts of a person associated with the member that are disclosed to the member pursuant to FINRA Rule 3210.” FINRA Rule 3110(d)(2) further requires that firms “conduct promptly an internal investigation into any such trade to determine whether a violation of those laws or rules has occurred.” A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From August 2020 to August 2021, Thurston Springer failed to establish, maintain, and enforce a reasonable supervisory system for the review of transactions in outside brokerage accounts held by its associated persons. Thurston Springer had no WSPs regarding the review of transactions in these accounts. Additionally, Thurston Springer failed to obtain duplicate statements and trade confirmations for 63 outside brokerage

accounts held by its associated persons and disclosed to the firm. As a result, the firm failed to review the trading in these accounts for compliance with federal securities laws and FINRA rules.

Therefore, Thurston Springer violated FINRA Rules 3110 and 2010.

F. Thurston Springer failed to conduct required office inspections.

FINRA Rule 3110(c)(1)(A) requires each firm to inspect “at least annually (on a calendar-year basis) every [office of supervisory jurisdiction] and any branch office that supervises one or more non-branch locations.” FINRA Rule 3110(c)(1)(B) requires that each firm “inspect at least every three years every branch office that does not supervise one or more non-branch locations.”

From January 2020 to December 2021, Thurston Springer failed to inspect its only office of supervisory jurisdiction and eleven branch locations that were due for inspections. Therefore, the firm violated FINRA Rules 3110 and 2010.

G. Thurston Springer failed to conduct reasonable supervisory control testing.

FINRA Rule 3120(a) requires, among other things, that member firms “establish, maintain, and enforce a system of supervisory control policies and procedures that . . . test and verify that the member’s supervisory procedures are reasonably designed . . . to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules” and “create or amend supervisory procedures where the need is identified by such testing and verification.” Rule 3120(a) also requires that a designated principal submit to the member’s senior management at least annually a report detailing the firm’s “system of supervisory controls, the summary of the test results of testing and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.”

FINRA Rule 3130(b) requires, among other things, that the firm’s CEO certify annually, as set forth in FINRA Rule 3130(c), that the firm “has in place processes to establish, maintain, review, test and modify written compliance policies and [WSPs] reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations,” and that the CEO has conducted one or more meetings with the CCO in the preceding 12 months to discuss such processes. FINRA Rule 3130(c) also requires that the CEO certify that the firm’s “processes . . . are evidenced in a report reviewed by the [CEO], [COO], and such other officers as the [firm] may deem necessary to make this certification.”

A violation of FINRA Rules 3120 or 3130 also constitutes a violation of FINRA Rule 2010.

From January 2019 to January 2023, Thurston Springer failed to conduct reasonable supervisory control testing. The firm’s designated principal failed to provide annual

reports to senior management detailing the systems of supervisory controls, the summary of the test results, any significant issues identified, and any modifications to the procedures implemented in response to the test results. Moreover, for all but one year, Thurston Springer's CEO failed to make the required certification. For the remaining year, the CEO failed to include any of the language required by Rule 3130(c).

Therefore, Thurston Springer violated FINRA Rules 3120, 3130, and 2010.

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

- a censure;
- a \$150,000 fine; and
- an undertaking that, within 60 days of the date of the notice of acceptance of this AWC, a member of Respondent's management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has: (a) completed a review of firm emails from March 31, 2021 through October 24, 2024, for compliance with FINRA Rule 4530, and made any necessary 4530 disclosures; and (b) implemented a supervisory system (including WSPs) reasonably designed to achieve compliance with all the violations cited, including, but not limited to, Form CRS and Regulation Best Interest. 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 Roger Kiley, Senior Counsel, 9509 Key West Avenue, Rockville, Maryland, 20850, roger.kiley@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

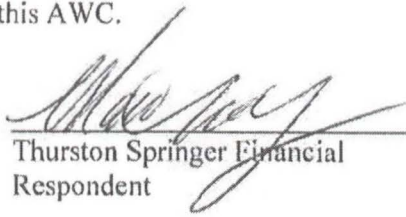
Respondent understands that:

- 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.

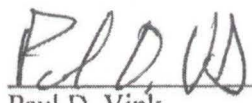
03-17-2025
Date


Thurston Springer Financial
Respondent

Print Name: MATTHEW M. REYNOLDS

Title: PRESIDENT

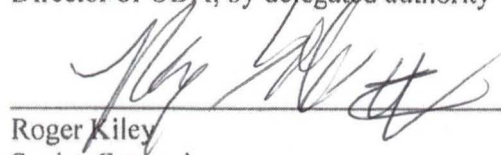
Reviewed by:


Paul D. Vink
Counsel for Respondent
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

Accepted by FINRA:

3/31/25
Date

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


Roger Kiley
Senior Counsel
FINRA
Department of Enforcement
55 W. Monroe Street, Suite 2700
Chicago, Illinois 60603