

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065108002**

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

RE: Calton & Associates, Inc. (Respondent)
Member Firm
CRD No. 20999

Pursuant to FINRA Rule 9216, Respondent Calton & 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

Calton has been a FINRA member firm and a Municipal Securities Rulemaking Board (MSRB) registrant since December 1987. It is a full-service brokerage firm headquartered in Tampa, Florida. Calton has approximately 380 registered representatives across 159 branches.

In December 2020, Calton entered into an AWC for violating FINRA Rule 6730 by inaccurately reporting block orders, capacity and commissions for a total of 1,720 transactions to FINRA's Trade Reporting and Compliance Engine (TRACE) between January 2019 and October 2019 and for violating FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with FINRA Rule 6730. The firm was censured and fined \$18,000 for these violations.¹

OVERVIEW

Between May 14, 2018 and April 2021, Calton violated MSRB Rule G-15 and FINRA Rules 2232 and 2010 by failing to disclose required mark-up and mark-down information on hundreds of retail customer confirmations. Between July 2018 and May 2022, the firm

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

violated MSRB Rule G-14 by failing to report the correct time of trade to the MSRB's Real-Time Transaction Reporting System (RTRS) for more than 7,800 municipal securities transactions and FINRA Rules 6730 and 2010 by failing to report the correct time of execution to TRACE for more than 1,000 securities transactions.

From May 2018 to July 2024, Calton violated MSRB Rule G-27 and FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable disclosure and reporting obligations in MSRB Rules G-15 and G-14 and FINRA Rules 2232 and 6730.

For these violations, Calton is censured and fined \$75,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle examination of the firm.

Calton failed to disclose required mark-up and mark-down information on retail customer confirmations for municipal securities transactions and corporate and agency debt securities transactions.

Trade confirmations protect investors who buy or sell securities through broker-dealers by, among other things, alerting them to potential conflicts of interest with their broker-dealers and providing them the means to verify the terms of their transactions and evaluate transaction costs and the quality of their broker-dealers' executions.

MSRB Rule G-15 requires each broker, dealer or municipal securities dealer, at or before the completion of a transaction in municipal securities with or for the account of a customer, to send customers a written confirmation that complies with the requirements of MSRB Rule G-15(a)(i). MSRB Rule G-15(a)(i)(F)(1) requires, with certain exceptions not relevant here, that confirmations sent to non-institutional customers include the dealer's mark-up or mark-down for the transaction to be calculated as provided in the rule and expressed as a total dollar amount and as a percentage of the prevailing market price (PMP).²

FINRA Rule 2232(c) requires, with certain exceptions not relevant here, that confirmations sent to non-institutional customers include the firm's mark-up or mark-down for the transaction to be calculated as provided in the rule and expressed as a total dollar amount and as a percentage of the PMP. A violation of FINRA Rule 2232 also is a violation of FINRA Rule 2010, which requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Between May 14, 2018 and April 2021, Calton issued approximately 250 confirmations for municipal securities transactions to retail customers that did not include any of the mark-up or mark-down information required by MSRB Rule G-15. Between May 2018

² Effective May 14, 2018, the MSRB amended Rule G-15 to require the disclosure of the mark-up or mark-down for a specified class of principal transactions.

and April 2021, Calton also issued approximately 150 confirmations for corporate and agency debt transactions to retail customers that did not include any of the mark-up and mark-down information required by FINRA Rule 2232. These failures stemmed from inadvertent errors made by certain firm personnel when manually entering the orders into Calton's clearing firm's system.

Therefore, Calton violated MSRB Rule G-15 and FINRA Rules 2232 and 2010.

Calton failed to report the correct time of trade or execution for municipal securities transactions and corporate and agency debt securities transactions.

MSRB Rule G-14 sets out the requirements that apply to firms when reporting transactions in municipal securities to the RTRS. FINRA Rule 6730 sets out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. Accurate reporting to the RTRS and to TRACE ensures the correct dissemination of transaction information, increases price transparency, and enhances regulatory oversight of trading in certain fixed income and municipal securities.

MSRB Rule G-14(b)(i) requires each broker, dealer or municipal securities dealer to report "information about each purchase and sale transaction effected in municipal securities to the [RTRS] in the manner prescribed by the Rule G-14 RTRS Procedures and the RTRS Users Manual", which includes the Specifications for Real-Time Reporting of Municipal Securities Transactions. The Rule G-14 RTRS Procedures and RTRS Users Manual require, among other things, the time of trade to be reported to the RTRS. The Specifications provide that trade times must be reported in increments of seconds unless the submitter's system is not capable of reporting seconds or if the trade time to the second is not known.

FINRA Rule 6730(c) requires each TRACE report to contain certain information, including time of execution. The TRACE User Guide states that time of execution must be reported in increments of seconds unless the member's system is not capable of reporting seconds. A violation of FINRA Rule 6730 also constitutes a violation of FINRA Rule 2010.

Between July 2018 and May 2022, Calton failed to report the time of trade to the second when reporting more than 7,800 municipal securities transactions to the RTRS. During the same period, Calton also failed to report the time of execution to the second to TRACE for more than 1,000 securities transactions. The firm uniformly reported "00" in the seconds field for these fixed income and municipal securities transactions, notwithstanding that the firm's system was capable of correctly reporting seconds and the time of trade execution was known to the second.

Therefore, the firm violated MSRB Rule G-14 and FINRA Rules 6730 and 2010.

Calton's supervisory system was not reasonably designed to comply with MSRB Rules G-14 and G-15 and FINRA Rules 2232 and 6730.

MSRB Rule G-27(b) requires brokers, dealers, and municipal securities dealers to establish and maintain a supervisory system, including written procedures, to supervise the conduct of their municipal securities activities that is reasonably designed to achieve compliance with applicable securities laws and regulations, and applicable MSRB rules.

FINRA Rule 3110 requires FINRA members 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. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

Between May 2018 and April 2021, Calton failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-15 and FINRA Rule 2232. The WSPs contained no procedures that explained how to review mark-up and mark-down information, the frequency of the reviews, who was responsible for performing the reviews, and the method by which the reviews should be documented. As of April 2021, the firm updated its WSPs with respect to compliance with MSRB Rule G-15 and FINRA Rule 2232.

Between July 2020 and July 2024, Calton failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-14 and FINRA Rule 6730. The firm's WSPs did not address the requirement to report time of trade to the RTRS, or time of execution to TRACE, to the second until April 2021. In July 2024, the firm's WSPs were updated to explain how to review the accuracy of its RTRS and TRACE reports with respect to time of execution, the frequency of the reviews, who was responsible for performing the reviews, and the method by which the reviews should be documented.

By failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable disclosure and reporting obligations of MSRB Rules G-14 and G-15, and FINRA Rules 2232 and 6730, the firm violated MSRB Rule G-27 and FINRA Rules 3110 and 2010.

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

- a censure and
- a \$75,000 fine (\$37,500 of which pertains to the violations of MSRB Rules).

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 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 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;

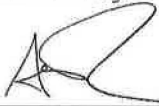
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other 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.


5/13/2025
Date

Saad Rahmouni
Calton & Associates, Inc.
Respondent

Print Name: Saad Rahmouni
Title: Chief Compliance Officer

Reviewed by:

Alan Wolper, Esq.
Counsel for Respondent
UB Greensfelder
200 West Madison Street
Suite 3300
Chicago, IL 60606-3607

Accepted by FINRA:

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

Seth Kean
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street
New York, NY 10281

5/20/2025
Date