

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2021069277101**

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

RE: Harpeth Securities, LLC (Respondent)  
Member Firm  
CRD No. 109821

Pursuant to FINRA Rule 9216, Respondent Harpeth Securities, 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**

Harpeth Securities became a FINRA member firm in 2001. The firm, which is headquartered in Nashville, Tennessee, has one office, and three registered representatives. The firm acts as a placement agent for private placement offerings.<sup>1</sup>

**OVERVIEW**

From June 30, 2020, to April 22, 2022, Harpeth Securities failed to establish and maintain a supervisory system, and to establish, maintain, and enforce written policies and procedures, reasonably designed to achieve compliance with Exchange Act Rule 15c-1 (Regulation Best Interest or Reg BI). As a result, Harpeth Securities willfully violated Securities Exchange Act of 1934 Rule 15c-1 and violated FINRA Rules 3110 and 2010.

During this period, Harpeth Securities also failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with its Exchange Act Rule 17a-14 obligations to prepare, file, and deliver its customer relationship summary (Form CRS). As a result, Harpeth Securities violated FINRA Rules 3110 and 2010.

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<sup>1</sup> For more information about the firm, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a firm examination of Harpeth Securities.

**A. Harpeth Securities failed to establish written policies and procedures, and a supervisory system, 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 Exchange Act. 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 the firm's operations and how to design such policies and procedures to prevent violations from occurring, to detect violations that have occurred, and to correct promptly any violations that have occurred.<sup>2</sup>

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a supervisory system, including WSPs, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.

A violation of Exchange Act Rule 15l-1 and FINRA Rule 3110 also is a violation 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.

During the period June 30, 2020, to April 22, 2022, Harpeth Securities acted as a placement agent for two private placements, recommending them to approximately 490 retail investors. Nonetheless, the firm failed until April 22, 2022, to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Reg BI.<sup>3</sup> Despite the firm's awareness of Reg BI's June 30, 2020, implementation date, the firm's written policies and procedures contained no provisions relating to Reg BI during this period.

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

<sup>3</sup> Harpeth Securities established written policies and procedures relating to Reg BI after FINRA initiated its investigation in this matter.

Therefore, Harpeth Securities willfully violated Exchange Act Rule 15l-1 and violated FINRA Rules 3110 and 2010.

**B. Harpeth Securities failed to establish a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with its Form CRS obligations.**

On June 5, 2019, the Securities and Exchange Commission adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, 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.

From June 30, 2020, to April 22, 2022, Harpeth Securities failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with its Form CRS requirements. During this period, the firm's written supervisory procedures contained no provisions relating to Form CRS.<sup>4</sup>

Therefore, Harpeth Securities violated FINRA Rules 3110 and 2010.

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

- a censure and
- a \$35,000 fine.

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.

Respondent understands that this settlement includes a finding that it willfully violated Exchange Act Rule 15l-1, and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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<sup>4</sup> Harpeth Securities established written policies and procedures relating to Form CRS after FINRA initiated its investigation in this matter.

## 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.

May 17, 2023

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Date

*Charles W. Byrge II*

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Harpeth Securities, LLC  
Respondent

Print Name: Charles W. Byrge II

Title: Chief Compliance Officer

Accepted by FINRA:

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

May 19, 2023

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Date

*Rebecca Segrest*

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Rebecca Segrest  
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FINRA  
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