

CBOE BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20170530846-01

TO: Cboe BZX Exchange, Inc.
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Northland Securities, Inc., Respondent
Broker-Dealer
CRD No. 40258

Pursuant to Rule 8.3 of the Rules of Cboe BZX Exchange, Inc. ("BZX" or "Exchange"), Northland Securities, Inc. (the "firm") 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, BZX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 BZX, or to which BZX 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 BZX:

BACKGROUND

The firm has been a member of BZX since December 15, 2010, and its registration remains in effect. The firm has no relevant prior disciplinary history.

SUMMARY

The Trading and Financial Compliance (TFCE) staff of the Market Regulation Department at FINRA (the "Staff"), on behalf of BZX, conducted a review of the firm's trading activity for the trade dates October 11, 2016 to April 11, 2017 (the "review period"). Based on its review, the Staff found that the firm violated BZX Rules 2.5 and 5.1.

FACTS AND VIOLATIVE CONDUCT

BZX Rule 2.5

- I. BZX Rule 2.5 places restrictions on who may become a person associated with a member of the Exchange. Specifically, Interpretation and Policy .01(c) of BZX Rule 2.5 "requires the General Securities Representative Examination ('Series 7') . . . in qualifying persons seeking registration as general securities representatives."

In addition, Interpretation and Policy .01(d) of BZX Rule 2.5 provides that “[e]ach Principal is required to successfully complete” and register “the General Securities Principal Examination (‘Series 24’).” Moreover, pursuant to Interpretation and Policy .01(d) of BZX Rule 2.5, individuals who “supervise the activities of General Securities Representatives must successfully complete” and register “the Series 7 . . . examination module as a prerequisite to the Series 24.” Finally, pursuant to Interpretation and Policy .01(d) of BZX Rule 2.5, “Each Principal with responsibility over securities trading activities on the Exchange” is required to “become qualified and registered as a Securities Trader Principal” (Series 24). The Series 57 Securities Traders Qualification Examination is “a prerequisite to the Series 24” for individuals who seek to become qualified and registered as a Securities Trader Principal.

2. During the review period, the firm failed to register one associated person as both a Series 7 General Securities Representative and Series 24 General Securities Principal with BZX. The same associated person was also not qualified or registered as a Series 24 Securities Trader Principal with BZX even though the person had responsibility over securities trading activities on BZX. Although the person had passed the Series 24 examination, the person had not passed the Series 57 prerequisite examination. The conduct described in this paragraph constitutes separate and distinct violations of BZX Rule 2.5.
3. Separately, during the review period, the firm failed to register a different associated person, the firm’s Chief Compliance Officer, as a Series 7 General Securities Representative with BZX. The conduct described in this paragraph constitutes a violation of BZX Rule 2.5.

BZX Rule 5.1

4. BZX Rule 5.1 provides, “Each Member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”
5. During the review period, the firm failed to follow its written supervisory procedures to ensure that its associated persons were properly registered with the Exchange. The conduct described in this paragraph constitutes separate and distinct violations of BZX Rule 5.1.

OTHER FACTORS

B. The firm also consents to the imposition of the following sanctions:

1. A censure;

2. A fine of \$7,500; and
3. An undertaking to ensure that the associated person discussed in paragraph I.A.2 above becomes qualified and registered as a Series 24 Securities Trader Principal with BZX, assuming the firm intends for the associated person to have a role in supervising the trading activities of the firm on BZX going forward. Until the associated person discussed in paragraph I.A.2 becomes qualified and registered as a Series 24 Securities Trader Principal, the individual shall have no role in supervising the firm's trading activities on BZX. Within six months of acceptance of this AWC by the Chief Regulatory Officer ("CRO"), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (a) a reference to this matter; and (b) the date that the associated person became qualified and registered as a Series 24 Securities Trader Principal with BZX. Alternatively, if the firm decides that the associated person shall not have a role in supervising the firm's trading activities on BZX going forward, the letter or email shall provide notice of that decision and the date of that decision.

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

The firm 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 BZX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under BZX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of the BZX's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the CRO, in connection with the CRO'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.

The firm further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of BZX Rule 8.16, 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

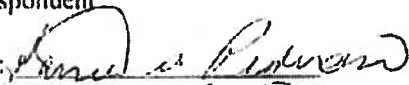
The firm understands that:

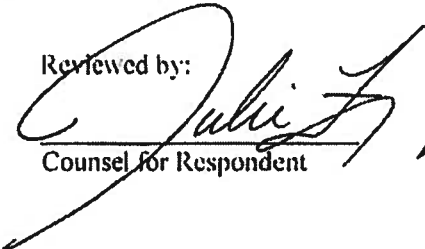
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to BZX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by BZX or any other regulator against the firm;
 2. This AWC will be published on a website maintained by BZX in accordance with BZX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and
 3. The firm 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. The firm may not take any position in any proceeding brought by or on behalf of BZX, or to which BZX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (a) testimonial obligations; or (b) right to take legal or factual positions in litigation or other legal proceedings in which BZX is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 BZX, nor does it reflect the views of BZX or its staff.

The undersigned, on behalf of the firm, 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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.


7-5-2018
Date

Northland Securities, Inc.
Respondent

By: 
Name: James S. Pedersen
Title: SVP-CCO

Reviewed by:  7/10/2018
Counsel for Respondent

7/12/2018
Date


Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Cboe BZX Exchange, Inc.

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount; or
- Wire transfer.

Respectfully submitted,

7-5-2018

Date

Respondent

Northland Securities, Inc.

By: Jessie S. Pedersen

Name: Jessie S. Pedersen

Title: SVP-CCO