

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053249401**

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

RE: Christopher Matthew Parr, Respondent
Former Registered Representative
CRD No. 2110651

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I, Christopher Matthew Parr, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Parr first became associated with a FINRA member firm in August 1990. He obtained his General Securities Representative (Series 7) (“GSR”) license in 1992 through an association with another former FINRA member firm. He obtained his Agent (Series 63) and General Securities Principal (Series 24) (“GSP”) licenses in 1993 while registered with another former member firm. Parr was registered through two other member firms prior to becoming associated with KCD Financial, Inc. (“KCD Financial” or the “Firm”) in December 2006 as a GSR and GSP. KCD Financial terminated Parr’s registration on April 3, 2017. Although Parr is not currently registered or associated with a FINRA member firm, FINRA retains jurisdiction over him pursuant to Article V, Section 4 of the FINRA By-Laws.

RELEVANT DISCIPLINARY HISTORY

On November 13, 2017, the Securities Commissioner of Kansas (“KSC”) entered a Consent Order that fined Parr \$25,000. In connection with the fine, Parr

consented to findings that he violated Kansas Administrative Regulation 81-3-6(e)(22), which prohibits registered representatives from borrowing money or securities from customers. The fine was based on conduct that is described further in this AWC. The Staff took the KSC regulatory action into consideration in its determination not to impose an additional fine on Parr for his conduct.

On July 23, 2007, Parr was fined \$500 by the State of Missouri Department of Insurance (“Missouri Insurance Department”) for (i) distributing marketing material regarding certificates of deposit that failed to contain a required statement about insurance, investments, and annuities; and (ii) conducting business through an entity that was not licensed to sell insurance products in Missouri.

On May 30, 2006, Parr was fined \$2,000 by the Missouri Insurance Department for selling a fixed annuity product in Missouri at a time that he was not licensed to sell insurance products in that state.

OVERVIEW

In December 2014 and August 2016, while associated with KCD Financial, Parr borrowed money via written promissory notes from T & DC, a married couple who were customers of the Firm. Parr did not provide notice of the loans to the Firm. In January 2017, Parr and T & DC agreed to exchange the debt – at that time \$850,000 – for shares in an entity Parr controlled. Parr participated in this securities transaction also without approval from or notice to his Firm. By virtue of the foregoing, Parr violated FINRA Rules 3240, 3280 and 2010.

FACTS AND VIOLATIVE CONDUCT

Background

Parr borrowed a total of \$750,000 from T & DC in 2011, approximately two years before they had opened their brokerage account at the Firm. T & DC funded this and their subsequent loans to Parr from their revocable trust, of which they were sole trustees. In September 2013, T & DC opened a brokerage account at KCD Financial with Parr as their registered representative. T & DC transferred a position in one security into the account, but otherwise conducted no brokerage activity through the account while Parr was their registered representative. Parr did not disclose the existing loans to KCD Financial at the time T & DC opened the brokerage account. The Firm’s policies required registered representatives to disclose any proposed loan from a customer and obtain the Firm’s approval prior to accepting such loan.

Borrowing from a Customer in Violation of FINRA Rule 3240

In December 2014, Parr and T & DC agreed to replace the existing debt with two new promissory notes in the total amount of \$345,697.04. Parr failed to disclose the December 2014 promissory notes to KCD Financial. In November 2015, as

part of his annual compliance declaration to KCD Financial, Parr falsely certified that he “[had] not and will not borrow or lend money to or from a customer.”

In August 2016, Parr borrowed an additional \$915,000 from T & DC via a new promissory note. T & DC funded the loan by an early surrender of a fixed annuity that was an asset of their trust and, as a result, incurred a surrender charge. The surrender was effected through another representative, who had sold them the fixed annuity in 2013.

Parr used a portion of the August 2016 loan to repay the remaining balance of the December 2014 promissory notes. Parr failed to disclose the August 2016 loan to KCD Financial. In October 2016, Parr again falsely certified that he had not borrowed money from a customer.

FINRA Rule 3240(a) permits registered representatives to borrow from customers only in certain prescribed circumstances. Rule 3240(a) further provides that such borrowing is only permitted if the member firm has written procedures that allow the borrowing and lending of money between registered representatives and customers. Rule 3240(b) only permits borrowing under the above-mentioned circumstances if the representative notifies the member of the proposed borrowing and obtains written approval prior to borrowing the money. Representatives are also required to obtain prior written approval of any modifications to existing borrowings. FINRA Rule 2010 provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” A violation of FINRA Rule 3240 is also a violation of FINRA Rule 2010.

By virtue of the conduct described above, Parr violated FINRA Rules 3240 and 2010.

Private Securities Transaction in Violation of FINRA Rule 3280

In January 2017, Parr created a limited liability company (the “LLC”) of which he was the sole owner and manager. On January 24, 2017, Parr transferred 850,000 equity units of the LLC to T & DC’s revocable trust in exchange for the \$850,000 still owed by Parr under the August 2016 loan. The exchange of the debt for the equity units was accomplished through a Buy/Sell Agreement that was negotiated by legal counsel for Parr and T & DC. Pursuant to the Buy/Sell Agreement, the LLC agreed to repurchase the equity units on a quarterly basis at a price of one dollar per unit, in an amount not less than 100,000 units per year. The Buy/Sell Agreement additionally provided for interest payments to be made on a quarterly basis. As of June 1, 2018, the LLC had made requisite payments of \$167,946.94, including interest, pursuant to the terms of the Buy/Sell Agreement. On June 19, 2018, Parr provided a personal written guarantee of the LLC’s payment obligations under the Buy/Sell Agreement.

Firm policy generally prohibited private securities transactions, and required

registered representatives to disclose any proposed private securities transaction to the Firm and obtain its approval prior to engaging in such transaction. Parr had additionally certified in October 2016 that he would “not enter into any business transaction jointly with a client without the specific written approval of KCD.” Nevertheless, Parr did not disclose to KCD Financial his participation in the transfer of the LLC’s equity units to T & DC until February 28, 2017, after he and KCD Financial had received the first inquiries from FINRA Staff regarding Parr’s personal dealings with T & DC.

FINRA Rule 3280 prohibits registered representatives from participating in any private securities transaction without first providing written notice to the registered representative’s firm. Rule 3280(e) defines a private securities transaction as “any securities transaction outside the regular course or scope of an associated person’s employment with a member.” A violation of FINRA Rule 3280 is also a violation of FINRA Rule 2010.

By virtue of the conduct described above, Parr violated FINRA Rules 3280 and 2010.

B. I also consent to the imposition of the following sanctions:

- A suspension from associating with any FINRA member in any capacity for a period of two years.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA’s By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA’s Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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;

- 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, I specifically and voluntarily waive 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 acceptance or rejection of this AWC.

I further specifically and voluntarily waive 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

I understand 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 me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 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 the subject matter thereof in accordance with FINRA Rule 8313; and
 4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its 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 me to submit it.

6/20/2018

Date (mm/dd/yyyy)



Christopher Matthew Parr, Respondent

Reviewed by:

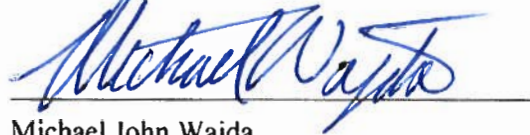


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Accepted by FINRA:

July 19, 2018
Date

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

A handwritten signature in blue ink, reading "Michael Wajda", written over a horizontal line.

Michael John Wajda
Senior Counsel
FINRA Department of Enforcement
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