

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	
FIRST KENTUCKY SECURITIES)	ADMINISTRATIVE ORDER
CORPORATION)	NO. CO-2016-0003
)	
)	
)	
<u>RESPONDENT</u>)	

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. FIRST KENTUCKY SECURITIES CORPORATION ("FKSC"), Central Registration Depository ("CRD") #7524 is a Kentucky domiciled broker dealer with a business address of 377 East Main Street, Lexington, Kentucky 40507. Commission records reflect that FKSC has never been registered as a broker dealer in the State of Alabama.

2. RAYMOND STRAND KRAMER, JR., CRD# 1053345, is the President of FKSC, with a business address of 377 East Main Street, Lexington, Kentucky 40507. Commission records reflect RAYMOND S. KRAMER, JR. has never been registered as a broker dealer agent in the State of Alabama.

3. FREDERICK J. KRAMER ("KRAMER"), CRD# 2299599, is the Financial and Operations Principal of FKSC, and formerly FKSC's Chief Compliance Officer until November 30, 2015, with a business address of 377 East Main Street, Lexington, Kentucky 40507. Commission records reflect that KRAMER has never been registered as a broker dealer agent in the State of Alabama.

STATEMENT OF FACTS

4. On July 29, 2013, FKSC submitted a broker dealer application electronically via the CRD system for registration in the State of Alabama.

5. On August 8, 2013, the Commission staff issued a deficiency letter to FKSC requesting, among other things, that FKSC provide a statement of undertaking advising whether any securities transactions had been effected on behalf of Alabama investors.

6. On August 8, 2013, pursuant to rights provided by Code of Alabama, 1975, Section 8-6-3(j), the Commission staff issued, via certified mail, a visitation letter to FKSC's clearing firm, RBC Capital Markets, LLC, requesting all records relating to securities transactions executed by FKSC for the account of any Alabama client.

7. On August 27, 2013, the Commission staff received a response to its visitation letter from RBC that reflected six Alabama investors for which securities transactions had been effected by FKSC.

8. On September 12, 2013, inasmuch as a response had not been received from FKSC, the Commission staff re-issued its August 8, 2013 deficiency letter.

9. On October 1, 2013, the Commission staff received a telephone call from KRAMER regarding the requested information reflected in the Commission's deficiency letter. KRAMER advised the Commission staff that FKSC had effected securities

transactions on behalf of Alabama client accounts and was willing to pay a fine. Additionally, KRAMER advised the Commission staff that a response to the Commission's deficiency letter would be submitted.

10. From October 23, 2013 through February 27, 2014, the Commission staff and KRAMER continued to discuss, via telephone, the deficiencies noted in the Commission's deficiency letter; however, KRAMER did not provide a written response to the Commission on behalf of FKSC.

11. On February 27, 2014, the Commission staff issued a request to RBC for copies of all trade confirmations, address change forms, and open account documents for all Alabama client accounts of FKSC.

12. On March 31, 2014, the Commission staff received a response from RBC which included open account documents, change of address forms and a CD with copies of all of the trade confirmations effected by FKSC on behalf of six Alabama client accounts.

13. On May 9, 2014, inasmuch as the Commission staff had not received a written response to its August 8, 2013, deficiency letter from FKSC, the Commission staff reissued, via certified mail, a copy of the deficiency letter to FKSC.

14. On May 9, 2014, the Commission staff received a telephone call from KRAMER apologizing for the delay and advising the Commission staff a response would be submitted from FKSC. On June 4, 2014, the Commission staff received a telephone call from KRAMER advising the Commission staff that FKSC was working on a response to the Commission staff's deficiency letter.

15. On June 10, 2014, the Commission staff received a written response from FKSC. Documentation provided reflects that, of the six Alabama client accounts, one couple wintered in Alabama and maintained a permanent residence in Kentucky.

Additionally, evidence was provided that another military couple was temporarily stationed in Alabama and their permanent residence was in Kentucky. A third investor had closed his/her account over five years ago and no further information was available.

16. On September 26, 2014, the Commission staff issued rescission instructions to FKSC and advised the firm to cease and desist from effecting securities transactions in the State of Alabama until properly registered. FKSC was advised to submit draft rescission offers to the Commission for the three remaining Alabama clients for whom securities transactions had been effected without proper registration.

17. On March 10, 2015, the Commission staff received drafted rescission offers from FKSC for only two of the three Alabama client accounts. A review of the documents reflected that the offers did not include the required 6% interest payment.

18. On April 2, 2015, the Commission staff spoke with KRAMER and advised KRAMER to redraft and resubmit the rescission offers for the Alabama clients with the required six percent interest included in the calculations of the offer. Additionally, KRAMER was advised by the Commission staff to include all of the securities transactions effected on behalf of the investors.

19. On May 7, 2015, the Commission staff received the revised draft rescission offers from FKSC for the three Alabama clients.

20. On October 19, 2015, KRAMER notified the Commission staff that one of the offers had been returned to FKSC and that the client relocated back to Kentucky. The envelope marked "unclaimed" by the post office was provided to the Commission. KRAMER advised the Commission staff that FKSC contacted the clients, via telephone, and that the clients expressed no interest in the offer.

21. On October 19, 2015, FKSC provided the rejected rescission offers from the two remaining Alabama clients.

22. A review of all the documents by the Commission staff reflects that FSKS received \$7,456.40 for 203 securities transactions effected on behalf of the three Alabama clients.

23. On November 4, 2015, the Commission staff issued a visitation letter, via certified mail, to RBC requesting additional information pertaining to any securities transactions affected by FKSC on behalf of Alabama client accounts subsequent to RBC's March 31, 2014 response.

24. On November 20, 2015, the Commission staff received a response to the updated visitation letter from RBC reflecting an additional Alabama account for which securities transactions had been effected by FKSC.

25. On December 11, 2015, the Commission staff received an email from FKSC reflecting that no securities transactions have been effected on behalf of Alabama client accounts and that only one Alabama account remains open.

26. On December 18, 2015, the Commission staff received an email from FKSC advising that the account referenced in item #25 by RBC is a military investor whose primary residence is Kentucky.

CONCLUSIONS OF LAW

27. Pursuant to Code of Alabama, 1975, Section 8-6-2, a Dealer is any person engaged in the business of effecting transactions in securities for the account of others. FIRST KENTUCKY SECURITIES CORPORATION is in the business of effecting securities transactions for the accounts of others and is a Dealer under the Act.

28. Pursuant to Code of Alabama, 1975, Section 8-6-3(a) it is unlawful for any person to transact securities business in the State of Alabama as a dealer or agent for securities unless properly registered under the Act. FIRST KENTUCKY SECURITIES

CORPORATION through their agents affected a total of two hundred and three (203) securities transactions from February 6, 2007 to June 2, 2015, for three Alabama residents generating commissions and service charges totaling \$7,456.40 without benefit of broker dealer registration or broker dealer agent registration in the State of Alabama in violation of the Act.

WHEREAS, RESPONDENTS admit that securities transactions were effected in the State of Alabama prior to registration and that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENTS understand the Commission relied upon such information and assertions in its determination to accept this Order, and that should such information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, RESPONDENT has voluntarily waived all rights to a hearing upon entry of this Order, and have consented to the entry of this Order, and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and RESPONDENT is desirous of settling this matter as hereafter set forth and agree to the entry of this Order.

WHEREAS, RESPONDENT has tendered offers of rescission to the Alabama residents and furnished copies of the accepted and rejected offers to the Commission.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RESPONDENT shall until such time as properly registered in the

state of Alabama, refrain from effecting securities transactions into, within or from the state of Alabama.

2. That RESPONDENT shall ensure that proper policies and procedures are enacted to preclude any future non-compliance with the Act.

3. That FIRST KENTUCKY SECURITIES CORPORATION shall provide training to all employees to ensure that all trades are made by registered persons in compliance with state laws.

ACCEPTANCE AND CONSENT TO REMEDIAL SANCTIONS

1. FIRST KENTUCKY SECURITIES CORPORATION accepts and consents solely for the purpose of resolving this proceeding, prior to a hearing and without an adjudication of any issue of law or fact, to the imposition of the following sanctions:

a. That in accordance with Code of Alabama 1975, Section 8-6-19(j)(1), RESPONDENTS shall pay to the **state of Alabama** an administrative assessment in the total sum of \$2,500.00 said funds to be tendered in certified funds contemporaneously with the entry of this Order.

b. That in accordance with Code of Alabama 1975, Section 8-6-19(k)(1), RESPONDENTS shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost for investigating this matter, the sum of \$10,000.00, including disgorgement of commissions, totaling \$7,456.40, said funds to be tendered in certified funds contemporaneously with the entry of this Order.

2. FIRST KENTUCKY SECURITIES CORPORATION shall cease and desist any further violation of Code of Alabama 1975, Section 8-6-3(a).

3. This Order is specially limited to the relevant time period noted in the statement of fact section and does not address any other time period where similar

activity may have been conducted.

AGREED AND CONSENTED to on dates indicated:

FIRST KENTUCKY SECURITIES CORPORATION



R. STAN KRAMER JR., PRESIDENT

3/10/16
DATE

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**



JOSEPH P. BORG Edwin Reed
Deputy Director

3/15/16
DATE

